Corporate Profile

Saskoil is an investor-owned, Canadian energy company with headquarters in Regina, Saskatchewan. The Company explores for, develops and produces crude oil and natural gas in western Canada and markets its production across North America. The Company currently ranks among the 10 largest publicly-traded Canadian energy companies in Canada.

Saskoil has an excellent natural gas reserves base and production capacity to permit future growth. The Company's crude oil reserves base is diversified and includes several major properties where the implementation of enhanced recovery operations is technically and economically feasible. Effective management of these crude oil reservoirs will result in further growth in production volumes. In addition, Saskoil's large unexploited land position provides a well located base from which an active western Canadian exploration program originates. The Company intends to translate this asset base into superior growth through technically advanced and financially prudent management practices.

Investors can participate in the growth of Saskoil through ownership of its common shares, convertible preferred shares, Saskoil participation bonds or Saskatchewan Power Corporation (SPC) exchangeable bonds. The SaskPower exchangeable bonds provide for an exchange into Saskoil's common shares. Over 55,000 stakeholders have joined in Saskoil's future using these investment alternatives. Saskoil's common and convertible preferred shares are listed on both The Toronto and Montreal stock exchanges and trade under the symbols SKO and SKO PR.A respectively.

Notice of Meeting

Saskoil's annual shareholders' meeting will be held on Thursday, May 11, 1989 at 3:00 p.m. in Hanbidge Hall at the Centre of the Arts, located at 200 Lakeshore Drive, Regina, Saskatchewan.

We invite all shareholders to attend this meeting. However, if you are unable to do so, we encourage your participation by completing and returning the Form of Proxy and forwarding it at your earliest convenience.

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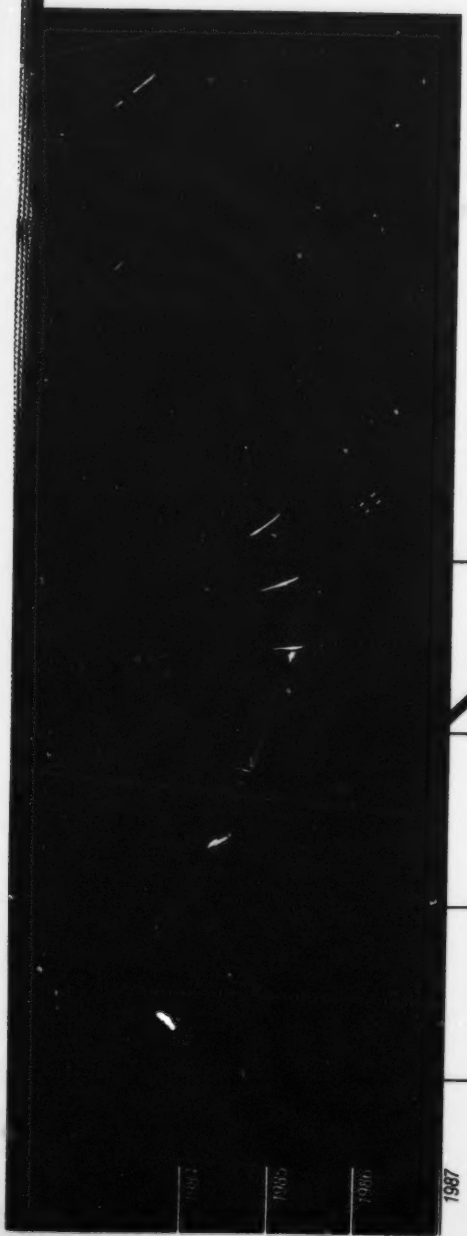
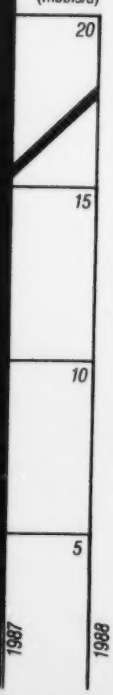
uring 1988, low selling prices were aggravated by an increase in the currency exchange rate between Canada and the United States. These two factors combined to severely diminish cash flow generated for reinvestment by energy companies in Canada.

Saskoil limited the adverse effects of this weak economic environment by dramatically increasing average daily production rates of both crude oil and natural gas. The Company's new focus on natural gas stabilized the revenue stream maintaining the level achieved in 1987 despite the extreme crude oil price volatility.



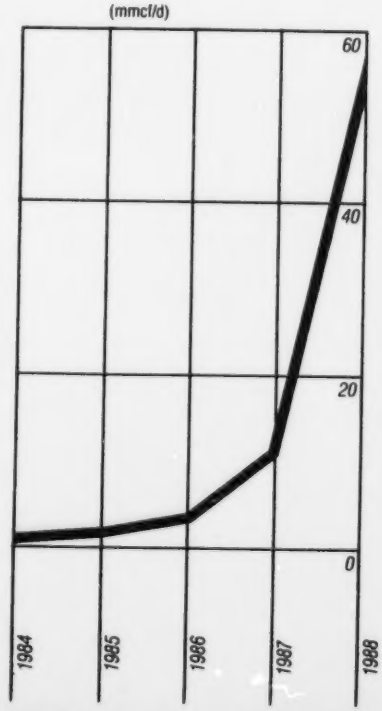
Saskoil Crude Oil Production

(mbbls/d)



Saskoil Natural Gas Production

(mmcf/d)



Saskoil Gross Revenue

($ millions)

To Our Shareholders

Herbert C. Pinder, Chairman of the Board.

In our message to shareholders last year, we indicated to you that "our primary objective was to build Saskoil into a leading Canadian energy company". In addition, we outlined a number of specific objectives which we had established for ourselves for 1988 and beyond. We would like to reaffirm our primary objective and report our progress in achieving the following continuing objectives.

"Focus on improving the balance between oil and gas reserves and revenues. We will continue to actively pursue acquisitions of gas reserves to accelerate the movement towards commodity balance."

During 1988, we acquired the natural gas reserves and undeveloped lands held by SPC. This acquisition increased Saskoil's natural gas reserves to 928 billion cubic feet at the end of 1988, an almost ten-fold increase over 1987 year-end levels. Over 60 percent of these reserves were considered proven. Saskoil's reserve base is now almost equally comprised of crude oil and natural gas.

In 1987, natural gas sales revenues represented five percent of total revenues. In 1988, natural gas revenues represented 24 percent of total revenues. In 1989, we expect natural gas revenues will exceed 45 percent of total revenues. This expanded natural gas position should contribute to improved financial results and more rapid growth in the future.

"Identify and focus on selected exploration areas of western Canada. We believe that focused and determined exploration of selected areas is necessary to achieve below-average finding costs. Again, to improve our commodity balance, natural gas exploration will be emphasized."

The undeveloped land portfolio of 495,000 net acres acquired from SPC is well located in relatively low-risk exploration areas along the Alberta-Saskatchewan border. This land portfolio was augmented by ongoing land purchases arising from exploration activities. The Company's undeveloped land position reached 1.5 million net acres at year-end.

In keeping with our exploration objectives we were able to substantially shift our exploration strategy. Geological and geophysical efforts resulted in an increase in land acquisition and exploratory drilling in the last quarter of the year. We have made encouraging progress in positioning Saskoil to explore for deeper sour gas reserves in western Canada.

In 1989, approximately 50 percent of Saskoil's exploration expenditures will be directed to an active land assembly program in carefully selected areas of western Canada. This will support a major expansion in exploratory drilling, commencing in the second half of 1989.

"Quickly and effectively add to our reserves using enhanced recovery processes. To do so, we will expand and improve our technical abilities. We are determined to become an industry leader in the innovative and aggressive application of advanced engineering concepts to our existing reservoirs."

In the past year, we have added approximately 8 million barrels of crude oil reserves through implementation of waterfloods of selected reservoirs. The costs of adding these reserves were less than $1 per barrel. We are planning a continued active enhanced recovery program in 1989.

During the year, Saskoil participated in the drilling of two horizontal wells. Based on the results to date, an expanded horizontal drilling program is planned for the coming year. In 1989, we plan to implement a pilot project involving one of the Company's heavy oil reservoirs which is designed to test the commercial feasibility of technically advanced reservoir management concepts. If successful, this pilot could result in a major increase in production from this field and this technology could be transferable to other fields held by Saskoil.

Over the intermediate to long-term future, these activities could significantly add to Saskoil's existing production and reserves base. We intend to be an industry leader in the effective management of technically sophisticated reservoir depletion projects.

"Emphasize continued development of our crude oil and natural gas marketing efforts."

During the year, Saskoil was able to effectively manage an expansion of marketed crude oil volumes. New supply arrangements totalling 7,500 barrels of oil per day were made with NewGrade Energy, the Regina-based heavy oil upgrader. This new purchaser will provide a new market outlet for Saskoil's heavy crude oil production to balance shifting markets for Canadian heavy crudes in the Chicago refining area.

Saskoil's natural gas production in December 1988 was approximately 135 million cubic feet per day, almost 12 times higher than the average production level for 1987. This progress, together with a further expansion in natural gas production volumes in 1989, is the result of expanded organizational capabilities.

In 1989, we will concentrate on achieving a more balanced portfolio of natural gas end users and expanded access to United States markets. This will be complemented by an improved natural gas supply portfolio and stable, long-term access to transportation facilities.

"Continue to maintain a relatively conservative balance sheet. Because of uncertainties regarding the short and medium-term future, we need financial strength to absorb negative events and take advantage of non-recurring opportunities."

We maintained our conservative approach to financing the Company's objectives during the year. For example, the $325 million asset acquisition from SPC was financed in the following manner — 38 percent with floating rate debt, 42 percent through the issuance of common shares and warrants and the balance was comprised of non-interest bearing notes, indentures, and royalty interests. In January 1989, Saskoil successfully sold $80 million in limited partnership units. The net proceeds of almost $77 million were used to replace floating rate bank debt with fixed rate financing, significantly reducing the funding costs of the Company's long-term liabilities. Saskoil's financial strength continues to permit an active program of seeking new investment opportunities.

"Be responsive and informed in our decisions. This will require the continual review of our organizational and administrative practices to maximize the effectiveness of our staff."

We have made substantial progress and these efforts will be continued. Our progress is highlighted by a major improvement in our administrative effectiveness to properly manage our expanded production base. We were able to manage a substantial increase in the Company's size and complexity while at the same time ensuring that investment initiatives in the Company's ongoing operations were completed in a profitable, timely and professional way.

Saskoil will review the cost structure of its ongoing investment and operating activities to identify opportunities to reduce or stabilize costs. The cogeneration of oilfield electric power and steam, pipeline facilities, and expanded crude oil storage facilities represent some of the areas Saskoil will be focusing on.

Ted Renner, President and Chief Executive Officer.

1988 Achievements

As a result of these efforts, significant new growth was achieved on a number of fronts:

- The Company's average crude oil production levels reached a record 17,900 barrels per day.
- Average natural gas production also reached record levels of 57.6 million cubic feet per day for calendar 1988 and averaged 135 million cubic feet per day for the month of December.
- In December 1988, Saskoil operated 42 percent of its crude oil production and almost 50 percent of its natural gas production.
- Saskoil's proven and probable crude oil reserves increased four percent to 86.7 million barrels while natural gas reserves increased by almost 10 times to 928 billion cubic feet as a result of the acquisition of SPC's natural gas reserves.
- An active exploration and development program resulted in the drilling of 293 gross wells, 72 percent above 1987 drilling levels.
- Saskoil's average working interest in wells drilled in 1988 was 57 percent as compared to a 1987 average working interest of 28 percent.
- The Company's net undeveloped land position at the end of 1988 totalled 1.5 million acres, 700,000 net acres higher than a year earlier.
- Total assets doubled in 1988 due to the acquisition of SPC's natural resource assets and an active internally generated investment program.
- The Company's debt to equity ratio was 0.43 at the end of 1988 which reflects a prudent financial policy to fund our activities.
- At the end of 1988, Saskoil's preferred and common shareholders' equity totalled $451 million. The shareholders' equity attributable to common shareholders was the equivalent of $9.57 per share.

Lower selling prices for both crude oil and natural gas experienced throughout the year severely impacted on the Company's ability to report financial results in line with the substantial production gains made in 1988. Saskoil's average 1988 crude oil selling price was reduced 33 percent to $13.25 Cdn. per barrel compared to the 1987 average of $19.69 Cdn. per barrel. Net revenues increased only marginally to $92.9 million and cash flow from operations dropped from $53.7 million in 1987 to $34.8 million in 1988.

Saskoil's crude oil selling price was lower in 1988 than in 1987 due to the following factors:

- The benchmark West Texas Intermediate crude sold for approximately $3 U.S. per barrel less in 1988 than 1987. Canadian crude oil sales are priced based on this U.S. dollar denominated marker price.
- The Canadian dollar exchange rate increased from an average of approximately $0.75 U.S. in 1987 to an average of $0.81 U.S. in 1988. Because of this exchange rate movement, the Canadian dollar selling price of Saskoil's crude oil was further depressed.
- The price discount necessary to sell Saskoil's heavy crude oil increased and, consequently, the average selling price for approximately one-third of Saskoil's production was lower than expected.

To put this in perspective, we need only to remember that the 1986 dramatic drop in prices has been viewed as the low selling point for the energy industry in this decade. In that year, Saskoil's average Canadian dollar selling price for its crude mix was $15.59 per barrel. The 1988 average selling price for Saskoil of $13.25 per barrel was a full 15 percent less than the 1986 low point for the industry.

Outlook

In the coming year, we expect to continue showing meaningful progress toward increasing production volumes. Our objective is to achieve 1989 average production levels in excess of 18,500 barrels of oil per day and 150 million cubic feet of natural gas per day.

During the coming year, we will continue with a property consolidation program. Our objective is to increase our working interests in core properties and selectively sell non-core assets as purchasers are identified.

The Company's strong financial position will fund internal growth and position Saskoil to pursue new investment opportunities. An aggressive 1989 capital program of $95 million will be focused on development activities until mid-year. During the second half of the year, capital investment related to exploration will grow rapidly. We are basing our investment plans on price assumptions which are almost the same as averages realized for 1988.

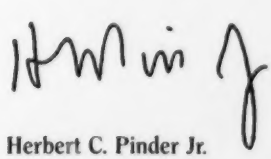
Staff

Saskoil's field, administrative, and professional staff have met the challenges of the past year with diligence and enthusiasm. They have effectively managed a major increase in the Company's size and complexity. This was accomplished while, at the same time, realizing a major improvement in administrative efficiency. By their efforts, they have demonstrated that they are Saskoil's most important asset. On behalf of the Saskoil shareholders and directors, we commend and thank them.

Directors

Donald K. MacPherson and Rose M. Richardson did not stand for election as Directors at the Company's last annual meeting. Their involvement as Directors of Saskoil has been lengthy and their contributions to Saskoil's progress will be missed.

Saskoil's Board of Directors participates actively in the Company's progress. They have unselfishly given of their time and energy. We value their advice, and on behalf of our staff and our shareholders, we extend our sincere appreciation.



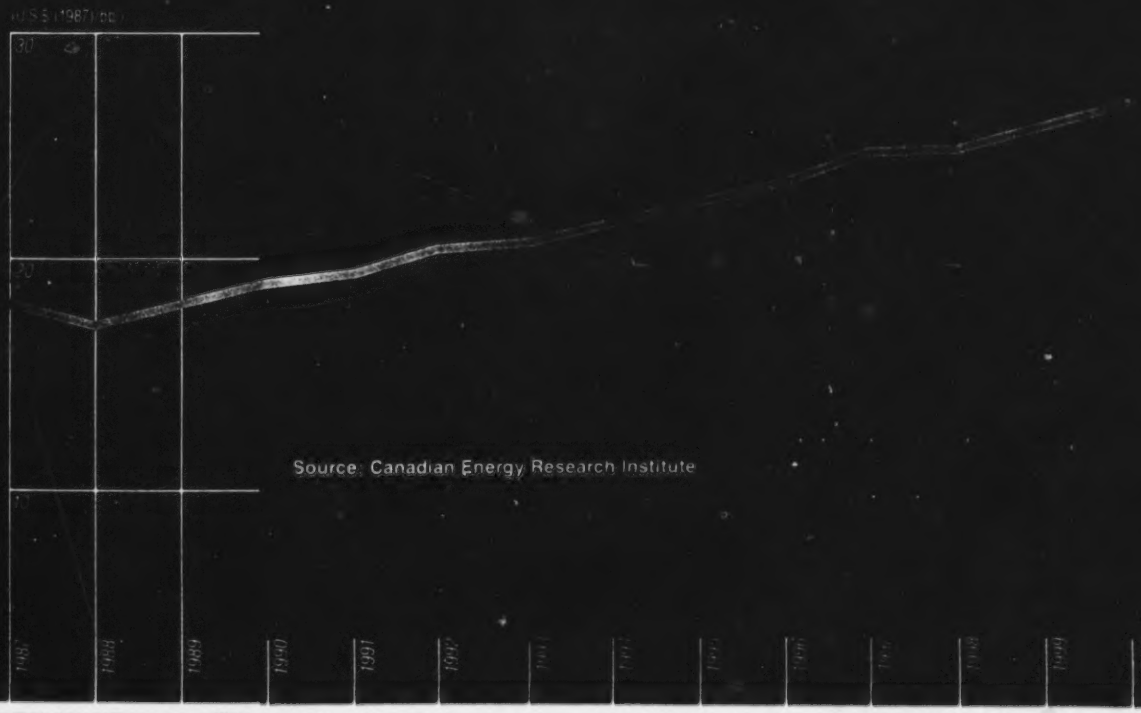
Herbert C. Pinder Jr.
Chairman

Theodore H. Renner
President and Chief Executive Officer

March 10, 1989

wo broad views can be observed in the oil industry today. One looks towards more robust prices in the early years of the next decade; the other suspects that the surplus may last longer. While the first remains the dominant view, the intensity of activity in repositioning, reintegration and realignment reflects a lowering of expectations, or at least a lessening of conviction about how the price lines will point in the 1990s.

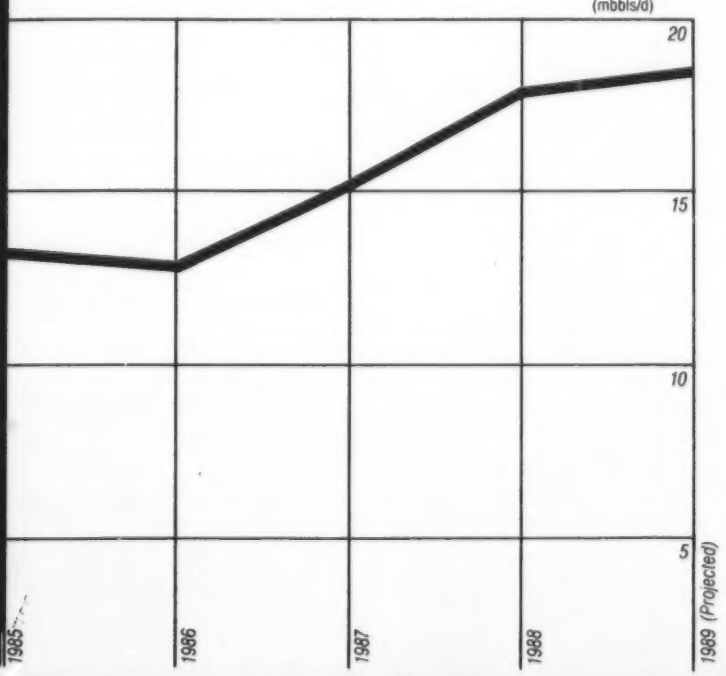
*(Arthur Anderson & Co. Cambridge Energy Research Associates, **World Oil Trends**, 1988-89 Edition, P. 1)*



Source: Canadian Energy Research Institute

Saskoil believes that the repositioning and reintegration presently underway will directly affect certain markets traditionally held by Canadian exporters. It will be necessary to monitor these broad restructuring activities in order to properly gauge their impact on Saskoil's operations and markets. Evidence suggests that new non-OPEC supplies that will be brought on at present prices may be overestimated and that the worldwide demand for crude may be underestimated. While these emerging trends may not be confirmed for some time, we do believe that they will contribute to increased stability over the next decade.

Saskoil Crude Oil Production



Industry Perspective

Saskoil's investment activities and long-term plans are developed within the context of a rapidly changing external environment.

Over the past 15 years, this environment, particularly the world market for crude oil, has proven to be volatile due to unpredictable international political developments.

(Left to right) Ron Pacholko, Manager, Joint Ventures; Mike Milne, Manager, Gas Marketing.

From 1973 to 1985, international crude oil prices increased several fold and, consequently, contributed to fundamental changes in worldwide demand as new technologies were introduced to increase the efficiency of energy use. Energy users attempted to reduce their energy dependency and increase their flexibility regarding energy use.

In 1986, crude oil prices dropped sharply and have continued to fluctuate widely. Natural gas prices, particularly in North America, have dropped by proportionately larger amounts. These lower energy prices resulted in a serious worldwide downturn in the activity levels and financial health of energy companies. To deal with this poor general environment, the industry experienced a period of rationalizations, mergers, and bankruptcies. Since 1986, North American exploration and development expenditures have dropped and remain low. The industry is focused on highly selective investments, improved efficiency, and cost control.

Over the last three years, the industry in North America has been substantially deregulated. The recently concluded Free Trade Agreement between Canada and the United States reflects a continued commitment by governments to deregulation. This deregulation, while welcome, has also resulted in intense competition among energy companies, thereby increasing the emphasis on cost control and efficiency.

With the sustained and focused pressure on cost control, the energy service industry has contracted and rationalized and is currently operating at historically low operating margins. In fact, these margins are so low that new investment in this sector is difficult to justify.

Expectations

Low and volatile international crude prices have recently forced the Organization of Petroleum Exporting Countries (OPEC) into a series of supply restraint measures. While of uncertain duration, these measures have contributed to more stable and higher energy prices. Current price levels are still low enough, however, to discourage both new conservation measures and a more active industry capital program to find new reserves.

Individual OPEC producers are now actively attempting to expand into downstream refining and marketing activities. This reintegration of the worldwide producing and refining industry should, over time, contribute to increased market stability. Additionally, since this is also occurring in North America, traditional markets for Canadian crudes, particularly heavy crudes, may be redirected to service the new OPEC owners' production. Canadian exporters of crude oil will need to adapt to these trends by developing alternative markets for production. The emerging Canadian heavy oil upgrading industry is an example of this adaptation.

In contrast to the last 10 years, there is growing evidence that the rate of growth of energy demand will exceed the rate of economic growth. This should result in modestly improving energy prices over the next five years. As North American markets become more dependent on imported supplies, the rate of growth in prices should increase, particularly by the middle of the next decade.

The general over-supply in North American gas markets is rapidly shrinking. Natural gas is a price-competitive alternative to fuel oil in most markets and, hence, is less subject to sales loss due to fuel-switching. The obvious environmental advantage in natural gas use, as opposed to fuel oil or coal, should contribute to more rapid growth in the demand for natural gas. At the same time, the level of drilling for new natural gas reserves has dropped sharply over the last three years. For the Canadian natural gas industry, this will mean significant increases in natural gas exports to the United States, provided transportation facilities are in place. Ultimately, these rapidly growing markets for Canadian natural gas will permit gas prices to increase more rapidly than crude oil prices.

In order to effectively access United States natural gas markets, new export transportation capacity needs to be added. Until this new capacity becomes available, access to Canadian pipeline systems will be difficult and subject to significant delays. In addition to marketers being sensitive and knowledgeable regarding their end users, it will be increasingly important to be adaptable and innovative in securing stable, long-term access to the transportation network. To achieve this, a detailed working knowledge of the existing transportation infrastructure will be a necessary part of a successful gas marketing effort.

Because gas surpluses are shrinking, companies who are able to control and, consequently, offer their customers balanced portfolios of gas supplies will be able to increase their market share. The ability to control balanced supplies and effectively arrange for transportation will allow selected Canadian companies to compete in virtually all North American natural gas markets. Saskoil intends to be one of these companies.

The service industry is currently operating near break-even levels. As this sector rebuilds margins to levels necessary to justify new investments, the producing sector is likely to experience significant increases in costs. Hence, exploration, drilling, facilities, and general operating costs could be sharply higher at the end of the next five years. Saskoil's approach to dealing with this will be to accelerate investments where feasible and to focus on early investments which tend to fix or stabilize long-term costs of operations.

In general, finding and development costs in North America have been steadily increasing over time, but because of intensive competition in the service sector, these costs have recently been relatively stable. However, as exploration activity picks up, these exploration and development costs will continue their long-term upward trends. In order to preserve investment returns, exploration activities will require a more focused and forward-looking geographic orientation. Cost pressures will also result in renewed attention to developing non-conventional crude oil supplies, and an increased emphasis on improving recovery from existing fields through new and more closely managed enhanced recovery projects. The application of new technology, such as horizontal drilling, will play an expanded role. Saskoil intends to become a leader in this area.

The restructured Canadian energy industry will ultimately result in more intense competition among fewer financially able companies. Over the short-term, however, this realignment process may result in inefficiencies which may make unique long-term investment opportunities available. This could include, in the short-term, less land sale competition and unique opportunities to consolidate operations through selective producing property acquisitions.

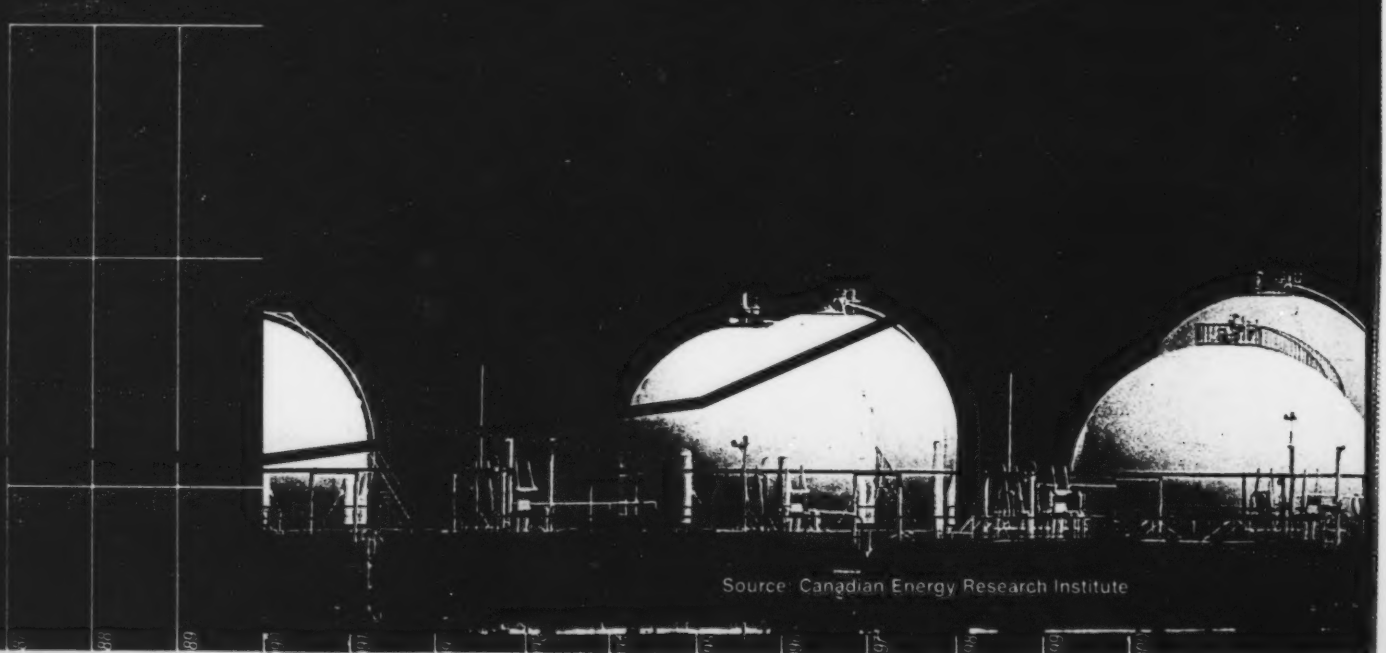
The complex and more competitive environment will lead to the development of new organizational approaches to deal with problems and opportunities. Additionally, more effective and, at the same time, more innovative use of information technologies will be essential. Personnel policies will need to be less formal, and geared to an increased emphasis on training and staff development.

Conclusion

Saskoil's long-term plans incorporate these trends, expected problems and developing opportunities. The availability of new investment capital will tend to be rationed to those companies with demonstrated capability to extract real investment returns. We believe this can only occur by utilizing longer-term strategic horizons. Flexible approaches to opportunities are created by technically superior organizations. It is our goal to be such an organization.

urrent trends suggest that the U.S. is already committed to a heavier reliance on imported natural gas, increased use of storage and seasonal fuel-switching in order to meet seasonal natural gas demand peaks through the early 1990s. By the mid-1990s, however, the United States' ability to rely on fuel switching from gas to oil could be sharply reduced as a result of new environmental regulations. The conflict between these trends — increased fuel-switching and growing environmental concerns — is certain to become more acute in the years ahead.

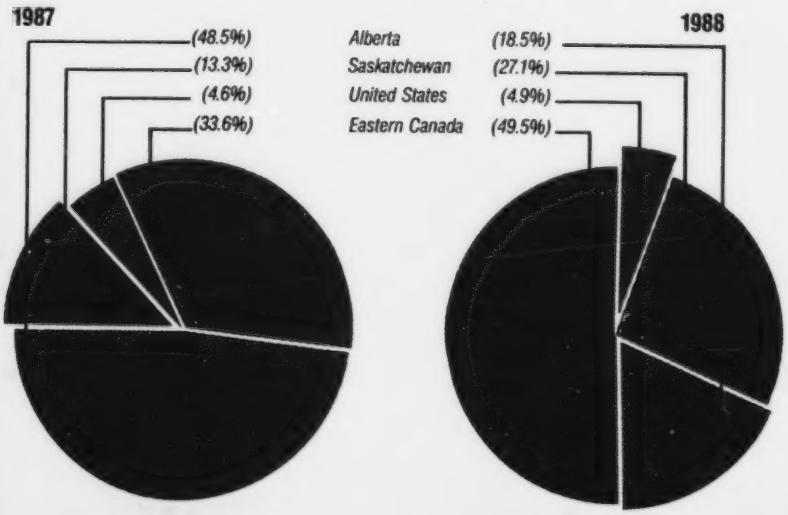
*(Arthur Anderson & Co. Cambridge Energy Research Associates, **Natural Gas Trends**, 1988-89 Edition, P. 1)*



Source: Canadian Energy Research Institute

Saskoil believes these trends will result in a rapid increase in gas exports to the U.S. In order to accommodate these increased volumes, the capacity of existing pipelines will need to be expanded and more effectively utilized. Dependable access to transportation facilities together with an entrepreneurial approach to storage facilities and alternative routes to market will be a critical component in the long-term plans of successful Canadian gas producers.

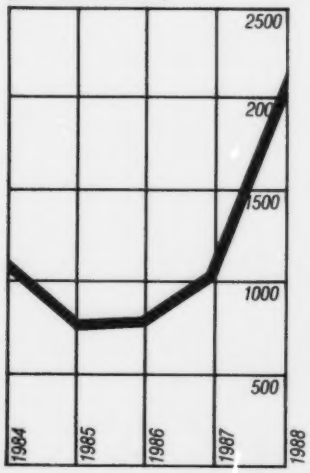
Saskoil Natural Gas Market Distribution



Operations Review

Land Holdings

(thousands of net acres)



During the past year, Saskoil increased its net undeveloped land position by 700,000 acres. Approximately 495,000 net acres were added through the acquisition of the natural resources assets of SPC, while the balance of approximately 205,000 net acres was added through an aggressive land acquisition program in the second half of 1988.

Approximately 62 percent of the net undeveloped land is located in Saskatchewan. During the past year, this net land position in Saskatchewan has been increased by over 400,000 net acres.

In addition, the Company holds a 100 percent working interest in over 1 million acres of inert gas rights in southwestern Saskatchewan. This area is considered prospective for potentially large carbon dioxide reserves. Oil fields in southeastern Saskatchewan are expected to require substantial amounts of carbon dioxide in the next decade for enhanced recovery operations.

The Company also holds minor interests in three Arctic Islands discoveries which were acquired with the Thomsen-Jensen acquisition in mid-1987. As the timing of production from these discoveries is difficult to forecast, no reserves or land values have been assigned to these holdings.

Saskoil will continue with an active land assembly program in 1989. The Company intends to spend a minimum of $12 million acquiring land in specific regions. Particular emphasis will be given to the assembly of lands prospective for deeper sour gas reserves.

Acreage Report

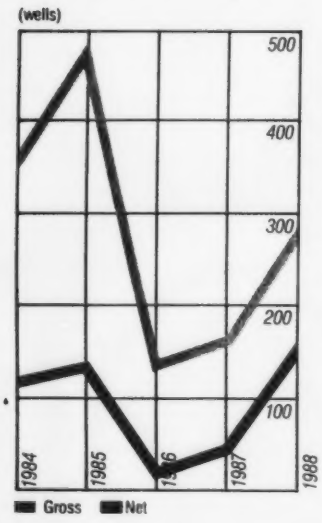
December 31, 1988

	Producing		Non-Producing		Total	
	Gross	Net	Gross	Net	Gross	Net
*Alberta	727,300	244,800	1,521,100	557,800	2,248,400	802,600
*British Columbia	1,800	200	46,900	8,000	48,700	8,200
*Saskatchewan	615,700	278,100	1,523,000	941,300	2,138,700	1,219,300
Manitoba	400	400	18,200	9,400	18,600	9,900
Frontier	—	—	107,000	6,000	107,000	6,000
	1,345,200	523,500	3,216,200	1,522,500	4,561,400	2,046,000

Legend:
Producing = All acreage within a Spacing Unit or a Unitized Area
Non-Producing = All acreage outside the above two categories.
*Acreage figures include acreages acquired through the SPC acquisition.
The Company has developed a major position in inert gas rights in Saskatchewan.

Drilling

Drilling Activity



Saskoil maintained an active drilling program in western Canada during 1988. Of the total 293 exploration and development wells drilled, 82 were completed as oil wells, 142 as natural gas wells and 18 were service wells drilled to support enhanced recovery projects.

Exploration activity accounted for the drilling of 66 of these wells. One-half of these exploratory wells were drilled in Saskatchewan. Saskoil acted as operator in the drilling of 40 percent of the exploratory tests. This exploration drilling resulted in the casing of 10 oil wells and 18 gas wells and the majority of the oil wells were drilled in Alberta, whereas the majority of the exploratory gas successes were in Saskatchewan.

In 1988, Saskoil drilled 227 development wells which resulted in the completion of 72 oil wells, 124 gas wells and 18 service wells. Approximately 52 percent of this development drilling was operated by Saskoil. Development drilling in Saskatchewan accounted for 95 percent of the total 1988 program reflecting rapid development of acquired undeveloped gas reserves in western Saskatchewan. This part of the development program involved the expenditure of approximately $29 million to develop 120 billion cubic feet of gas reserves at a development cost of $0.24 per thousand cubic feet. Gas production from these fields generally commenced in the last quarter of 1988.

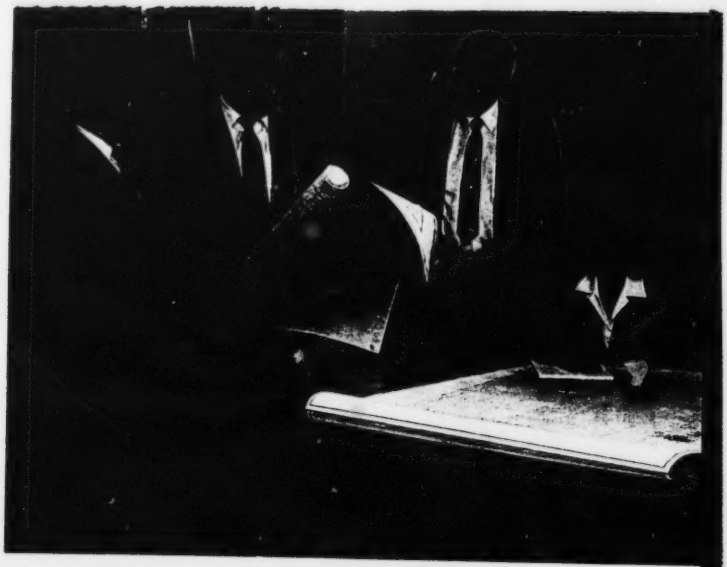
Drilling Activity

	Saskatchewan		Alberta		Manitoba		Total	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Oil	69	28.0	13	3.4	–	–	82	31.4
Gas	136	104.0	6	.8	–	–	142	104.8
Service	18	4.1	–	–	–	–	18	4.1
Dry	26	17.0	24	8.9	1	1.0	51	26.9
Total	249	153.1	43	13.1	1	1.0	293	167.2

In 1989, Saskoil is planning another active gas development program. Our goal is to complete the development of our underutilized natural gas reserves by the end of the second quarter and to have these reserves flowing to new markets by the last quarter of 1989.

Development activities in 1989 will be concentrated in the first half of the year and are likely to involve the drilling of fewer wells than were drilled in 1988. Exploratory drilling activity should increase, particularly in the second half of the coming year. Overall current plans involve the drilling of at least 200 wells in 1989. The average working interest retained by Saskoil is expected to increase.

Of particular importance was the successful drilling of two horizontal wells in 1988. Several horizontal wells are planned for 1989 to evaluate the effectiveness of this technique in different reservoir types and to support the Company's enhanced recovery activities.



(Left to right) Brian McConnell, Manager, Development Geology; Ron Misko, Director, Regional Exploration Projects; Martin Booth, Vice-President, Exploration; Darlene Matlock-Mader, Chief Landman, Saskatchewan/Manitoba.

Capital Expenditures

Saskoil's capital expenditures related to its ongoing exploration and development program reached record levels of $83.3 million in 1988. Land acquisitions accounted for $6.8 million, geological and geophysical expenditures totalled $4.4 million, exploration drilling was $12.3 million, and various development activities accounted for $47.1 million. Mineral lease rentals, capitalized overhead, and other capital expenditures aggregated to an additional $12.7 million.

Saskoil is anticipating total 1989 expenditures to reach $95 million, of which 65 percent will be allocated for a continued active development program, 26 percent will be allocated to exploration activities, with the balance being made up of expenditures related to computer equipment, mineral lease rentals, and capitalized administrative costs.

The development activities will be concentrated in the first half of 1989. Expenditures related to exploration activities are expected to rapidly increase, particularly in the last quarter of 1989. By 1990, exploration expenditures are projected to be at least twice 1989 levels.

To provide for this significant exploration drilling expansion in 1990, exploration expenditures in 1989 will be heavily focused on further increasing the Company's undeveloped land position.

Saskatchewan

Approximately 70 percent of the Company's 1988 capital program was invested in Saskatchewan. Geographically, these capital activities were focused in two areas. In western Saskatchewan, from Hatton in the south to Beacon Hill in the north, Saskoil was actively developing several gas fields as well as engaging in oil development drilling, various enhanced oil recovery projects, and the drilling of two horizontal wells. This region is characterized by medium to heavy gravity oil fields and by relatively shallow natural gas fields where per well deliverability generally improves from south to north.

The second area of Saskatchewan investment activity focuses on the southeastern part of the province where discoveries are principally light oil reservoirs of Mississippian age.

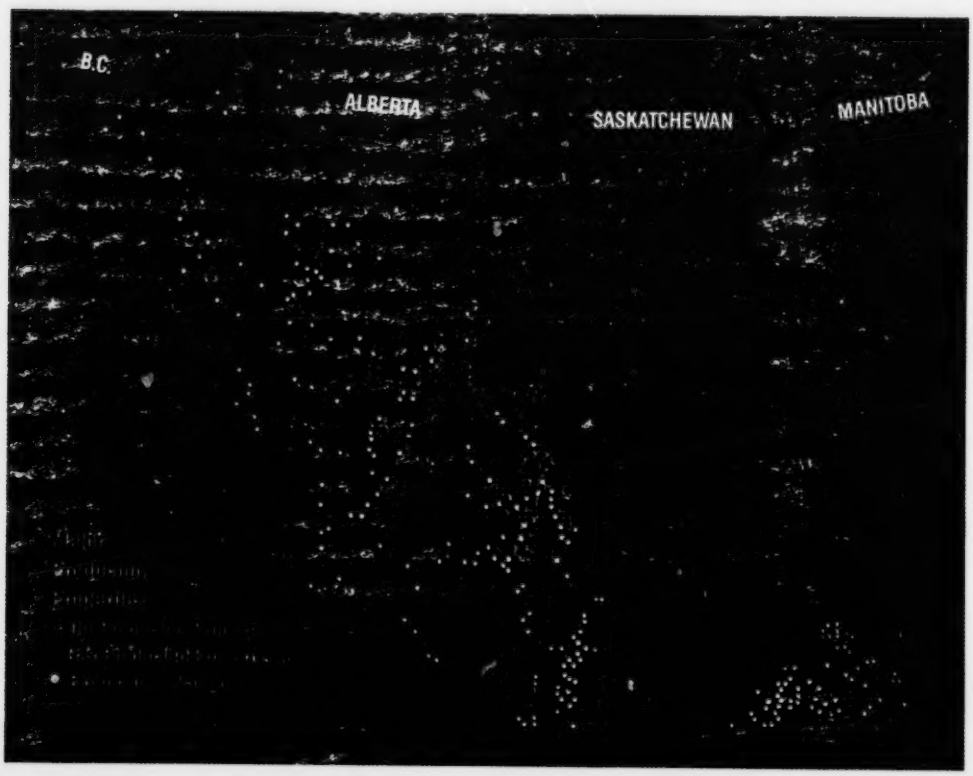
These investment activities increased Saskatchewan crude oil production by 1,000 barrels per day in 1988. This increased crude oil production was due mainly to development drilling and the positive response from new waterfloods implemented during 1988. Further production performance improvement is anticipated for 1989.

Saskatchewan natural gas production increased to an average 20.7 million cubic feet per day for the year compared to 3.5 million cubic feet per day for 1987. In December 1988, the Company's Saskatchewan natural gas production averaged 71.3 million cubic feet per day and further increases are expected in 1989. Sixty percent of the Company's December 1988 Saskatchewan natural gas production was operated by Saskoil.

Exploration activity resulted in natural gas discoveries at Poundmaker (Saskoil working interest — 45%), Eyre (WI — 100%), Baldwinton (WI — 50%), Nadeauville (WI — 50%), Vidora (WI — 100%) and Senate (WI — 100%). An interesting crude oil discovery was made in southeast Saskatchewan at Elswick where Saskoil has lands with interests ranging from 50 to 100 percent.

The Company's 1989 exploration effort in Saskatchewan will be directed at several locations in southeastern Saskatchewan. The objectives are oil in Mississippian formations where historic, per well reserves range between 200,000 to 300,000 barrels and per well productivities are usually between 60 and 80 barrels per day. Up to eight wells are planned for southwestern Saskatchewan, targetting multizone oil and gas in Mesozoic sandstone reservoirs. In northwestern Saskatchewan, selective heavy oil exploration and development drilling will be maintained. This area will also be actively explored for natural gas and will involve an active land assembly, geophysical, and exploration drilling program.

In 1989, natural gas development efforts will be concentrated at Cypress and Horsham in southwestern Saskatchewan, Fort Pitt, Bronson Lake North and the general Beacon Hill area of northwestern Saskatchewan. Crude oil development drilling is expected to continue at a number of southeastern Saskatchewan locations including Elswick.



Alberta

Thirty percent of the Company's 1988 capital program was directed to Alberta. Exploration and development activities were concentrated in the northwestern Zama-Rainbow area of Alberta, the general Peace River Arch region of north central Alberta, and the east central area of Alberta.

Exploration activity resulted in drilling successes at Belloy (WI — 50%), Gilwood (WI — 50%), Kidney (WI — 12.5%), and Panny (WI — 20%). Development drilling and waterflood activities continued in the Rycroft and Spirit River oil reservoirs. Development of the natural gas reservoirs acquired from SaskPower and located in several areas along the Alberta-Saskatchewan border was ongoing.

The investment program contributed to an increase in light crude oil production of approximately 1,500 barrels per day. Alberta natural gas production increased to an average 36.9 million cubic feet per day in 1988 versus 8 million cubic feet per day for 1987. In December 1988, Alberta natural gas production averaged 63.4 million cubic feet per day and Saskoil operated 37 percent of this December production.

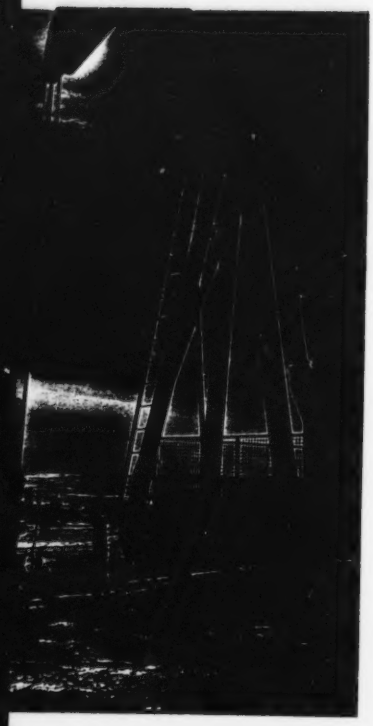
In 1989, the Company's Alberta exploration activities will again involve drilling for Devonian sands and carbonates in the Peace River Arch. Historically, per well reserves in this region have ranged from 200,000 to 500,000 barrels with daily production rates of between 100 and 300 barrels per day. At present, seven exploratory tests are contemplated.

Along the Alberta-Saskatchewan border, Saskoil will again be active in exploring gas-prone, shallow Cretaceous sandstone prospects. Successful wells generally encounter reserves of 1 to 2 billion cubic feet with good production rates and the developed gas is generally sweet and dry and requires modest investment in processing facilities.

In the western areas of Alberta and in British Columbia, Saskoil plans an active geophysical, land assembly, and initial drilling program. The objective reservoirs are Devonian carbonates in the deeper parts of the sedimentary basin. Natural gas associated with these reservoirs generally has significant quantities of natural gas liquids and sulphur associated with it. These larger reserve gas prospects will be required by 1990 as development of the remaining undeveloped gas reservoirs held by Saskoil is completed. Saskoil is presently planning three exploratory tests with depths of 10,000 feet where per well reserves are generally in the 5 to 30 billion cubic feet range.

A larger portion of Saskoil's 1989 exploration expenditures will be directed to Alberta and British Columbia.

The Company has made excellent progress in assembling exploration prospects which have the individual capacity to replace a substantial portion of expected 1989 production. This, together with the development program planned, should result in total 1989 production being more than replaced.



Production

Through 1988, Saskoil continued to meet the challenge of an uncertain industry environment by increasing production levels and by maintaining a high level of production efficiency through strict operating cost controls and effective marketing strategies.

Record production volumes were recorded for 1988, with average daily crude oil production increasing 16 percent from 15,359 barrels per day in 1987 to 17,893 barrels per day in 1988. Similarly, natural gas production increased dramatically from 11.5 million cubic feet per day in 1987 to 57.6 million cubic feet per day in 1988.

Increases in crude oil production were a result of successful exploration, development, and enhanced oil recovery efforts. The large increase in natural gas production is attributable primarily to the acquisition of SPC's oil and gas assets and the aggressive development of these properties during the latter half of 1988. Saskoil accomplished the diversification of its predominantly crude oil production and reserve base through this major purchase of natural gas reserves and undeveloped lands during 1988. This balancing of Saskoil's production and reserve base will stabilize the Company's revenue generating capabilities and reduce the impact of widely fluctuating crude oil prices.

It is anticipated that development drilling, and enhanced recovery operations will result in further production increases in 1989. Crude oil production is projected to average at least 18,500 barrels per day and natural gas production should exceed 150 million cubic feet per day.

Currently, the majority of Saskoil's crude oil production comes from 14 major properties located primarily in Saskatchewan. Natural gas production is generated from 12 key properties in Alberta and Saskatchewan. In the short-term however, natural gas production increases will occur primarily in Saskatchewan where transportation facilities and marketing opportunities are more readily available.

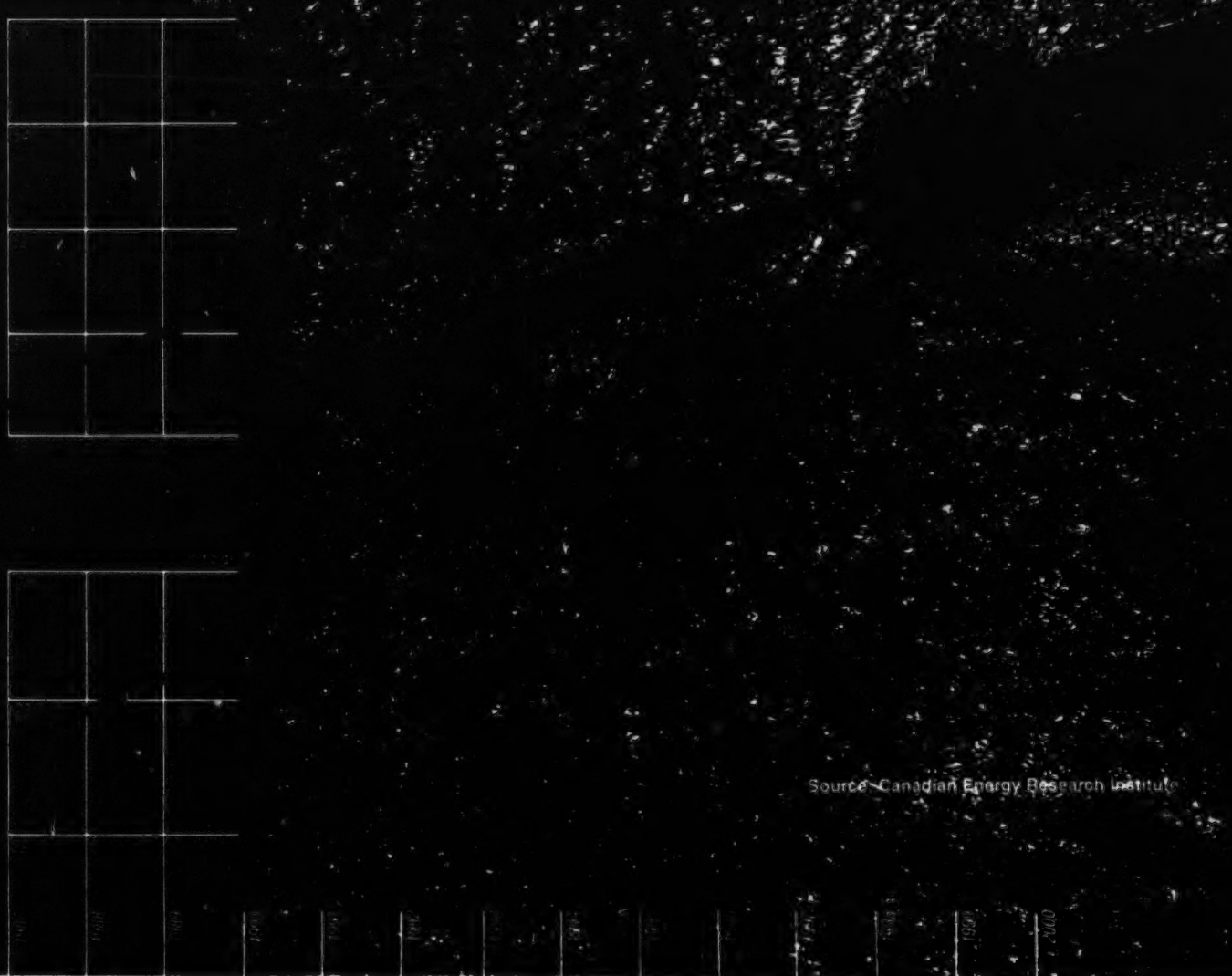
Production Mix

(Oil—millions of barrels, Gas—billions of cubic feet)

	1988	1987
Saskatchewan:		
Light-medium oil	3.2	3.2
Heavy oil	2.1	1.8
Natural gas	7.6	1.3
Alberta:		
Light-medium oil	1.1	0.6
Natural gas	13.5	2.9

he world oil market will respond to market uncertainties over the near-term, but follow a stable growth path over the long-term. Market watchers should, therefore, focus their attention more on the fundamentals of the market and less on the short term fluctuations and volatility characteristics of today's market.

*(Canadian Energy Research Institute, **World Oil Market Analysis**, Volume VI, No. 4, October 1986)*

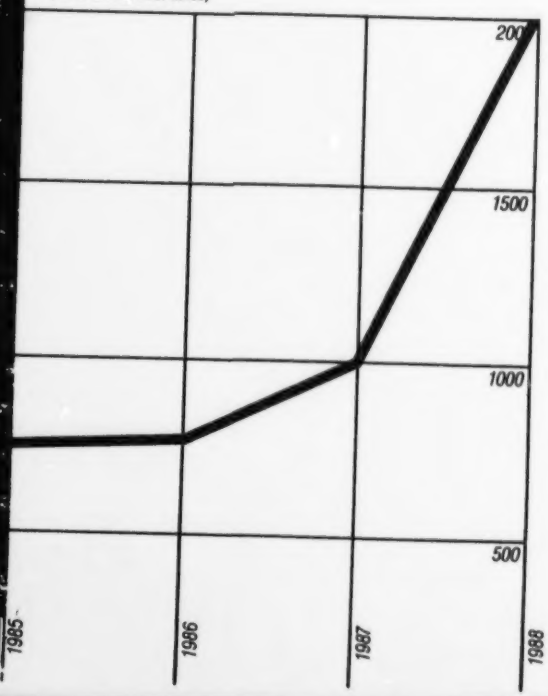


Source: Canadian Energy Research Institute

Saskoil believes that non-recurring and unique investment opportunities can only be effectively captured within the context of long-term plans. The lead times associated with activities such as deep sour gas exploration and successful enhanced oil recovery programs require a longer-term planning horizon. While quarter-to-quarter price variations may require alterations in tactical plans, they should not require changes in long-term plans.

Saskoil
Land
Holdings

(thousands of net acres)



Saskoil has a very broad resource and land base which has all the elements to enable rapid response to improving natural gas prices and markets in the short-term and higher crude oil prices in the medium to long-term. The Company will continue to diversify its production and reserve base with the aggressive development of Saskatchewan natural gas reserves throughout 1989. In addition, the Company's potential for enhanced recovery operations on developed crude oil properties offers the opportunity to maintain crude oil production levels and reserves at development costs which are considerably less than full cycle exploration and development costs.

Crude Oil

Increased production rates were realized using improved workover techniques, artificial lift enhancements, and re-completion work in several heavy oil reservoirs offsetting the natural production decline. Examples include Buffalo Coulee, where production was increased by 60 percent to 100,000 barrels for 1988 and Neilburg, where production was increased by 25,000 barrels or 12 percent over 1987 levels. Longer producing time between workovers, and increased production resulted in lifting costs being lowered by over $1 per barrel in these and several other heavy oil pools.

(Left to right) Ken Jones, Manager, New Ventures; Richard Anderson, Exploration Manager, Alberta/British Columbia; Michael Guise, Land Manager.

Crude Oil Unit Cash Flows

(dollars per barrel)

	1988	1987
Saskatchewan—Light-Medium		
Production (thousands of barrels)	3,258	3,176
Sales price	$14.19	$20.42
Royalties (before credits)	3.43	6.06
Operating expense	5.08	4.63
Netback	$ 5.68	$ 9.73
Saskatchewan—Heavy		
Production (thousands of barrels)	2,140	1,803
Sales price	$10.18	$17.48
Royalties (before credits)	1.23	2.61
Operating expense	3.97	4.67
Netback	$ 4.98	$10.20
Alberta		
Production (thousands of barrels)	1,151	627
Sales price	$16.31	$22.41
Royalties (before credits)	2.48	3.97
Operating expense	4.25	4.31
Netback	$ 9.58	$14.13
Combined		
Production (thousands of barrels)	6,549	5,606
Sales price	$13.25	$19.69
Royalties (before credits)	2.55	4.71
Operating expense	$ 4.57	$ 4.61
Netback	$ 6.13	$10.37

Production Efficiency: Crude Oil

	1988	1987
Operating expense (millions of dollars)	$30.0	$25.8
Production (millions of barrels)	6.6	5.6
Average operating expense per barrel	$ 4.57	$ 4.61

Waterflood recovery operations and primary production optimization were also areas of focus in 1988. Five infill/edge wells in the Bone Creek and Rapdan Units, along with an extensive production optimization program resulted in production increases of 25 percent over 1987 representing 60,000 barrels of incremental production. In the Marsden unit, waterflood response and a reduction in workover frequency increased production by 100,000 barrels while operating costs were reduced by $430,000. Six development wells in the Marsden non-unit area resulted in 120,000 barrels of new production. This non-unit pool is scheduled for waterflood in 1989 and consequently further production increases are expected.

Crude Oil Production From Major Properties

(barrels per day)

	Average Daily Production	
	1988	1987
Saskatchewan		
Marsden	1,356	789
Battrum*	1,222	901
Court*	954	962
Weyburn*	701	688
Cactus Lake*	693	775
Plover Lake	615	474
Neilburg	608	551
Instow	480	520
Fosterton	454	392
Queensdale	428	449
Cantuar*	363	367
Dollard	359	392
Bone Creek	329	260
Senlac	314	444
Rapdan*	304	271
Wapella	300	288
Other	5,201	5,118
Total Saskatchewan	**14,681**	**13,641**
Alberta		
Rycroft	553	543
Shekilie	495	—
Rainbow	451	205
Spirit River	408	296
Craigmyle	345	189
Other	890	414
Total Alberta	**3,142**	**1,647**
Total Manitoba	**69**	**71**
Total Company	**17,892**	**15,359**

*Fields where new waterflood projects were started in 1988.

Crude oil operating costs were reduced from $4.61 per barrel in 1987 to $4.57 per barrel in 1988. The Company achieved outstanding results in its efforts to reduce heavy oil operating costs. Operating costs were reduced as much as 20 percent to $3.97 per barrel in several major heavy oil pools. The Company's success in minimizing costs and maximizing productivity permitted the profitable operation of these properties when other heavy oil operators were suspending operations.

Natural Gas

The reserves acquired from SPC are concentrated in 12 major fields; four in Alberta and eight in Saskatchewan. The land blocks are large and consolidated which facilitates rapid development. The majority of the pools are operated and have high working interest. Saskoil has excellent control over the pace and type of development.

Natural Gas

Unit Cash Flows

(dollars per thousand cubic feet)

	1988	1987
Saskatchewan		
Production (millions of cubic feet)	7,574	1,267
Sales price	$1.31	$1.76
Royalties (before credits)	0.31	0.10
Operating expense	0.19	0.04
Netback	**$0.81**	**$1.62***
Alberta		
Production (millions of cubic feet)	13,512	2,944
Sales price	$1.29	$1.31
Royalties (before credits)	0.24	0.29
Operating expense	0.33	0.45
Netback	**$0.72**	**$0.57**
Combined		
Production (millions of cubic feet)	21,086	4,211
Sales price	$1.30	$1.45
Royalties (before credits)	0.26	0.23
Operating expense	0.28	0.33
Netback	**$0.76**	**$0.89**

*Substantially solution gas sales associated with crude oil sales where royalties and operating costs are largely absorbed by crude oil production.

Production Efficiency: Natural Gas

	1988	1987
Operating expense (millions of dollars)	$ 5.9	$ 1.4
Production (billions of cubic feet)	21.1	4.2
Average operating expense per thousand cubic feet	$0.28	$0.33

(Left to right) Eric Dyck, Manager, Production; Jim Gelowitz, Manager, Drilling; Glen Yeryk, Manager, Resource Recovery; Steve Balog, Vice-President, Production.

In 1988, capital and manpower were dedicated to increasing the productive capacity of existing and new fields. The Hatton and Beacon Hill fields were the first to be developed since production facilities were already in place. The facilities were upgraded, wells re-completed and new wells drilled. Production at Hatton and Beacon Hill was increased by 31.2 million cubic feet per day and 7.7 million cubic feet per day respectively over 1987 averages. These two fields alone increased the production from the acquired assets by 70 percent. The development of six new fields at Horsham, South Bronson Lake, Crane Lake, Beacon Hill D and E, and North Smiley increased production by 25.7 million cubic feet per day. The overall gas development program increased production to almost 135 million cubic feet per day by year end with 120 billion cubic feet of new gas reserves placed on production at an average cost of $0.24 per thousand cubic feet. The 1989 development program will be targeted at the remaining undeveloped pools with the goal to increase production to 200 million cubic feet per day by the end of 1989 and to establish production from all major fields by 1990.

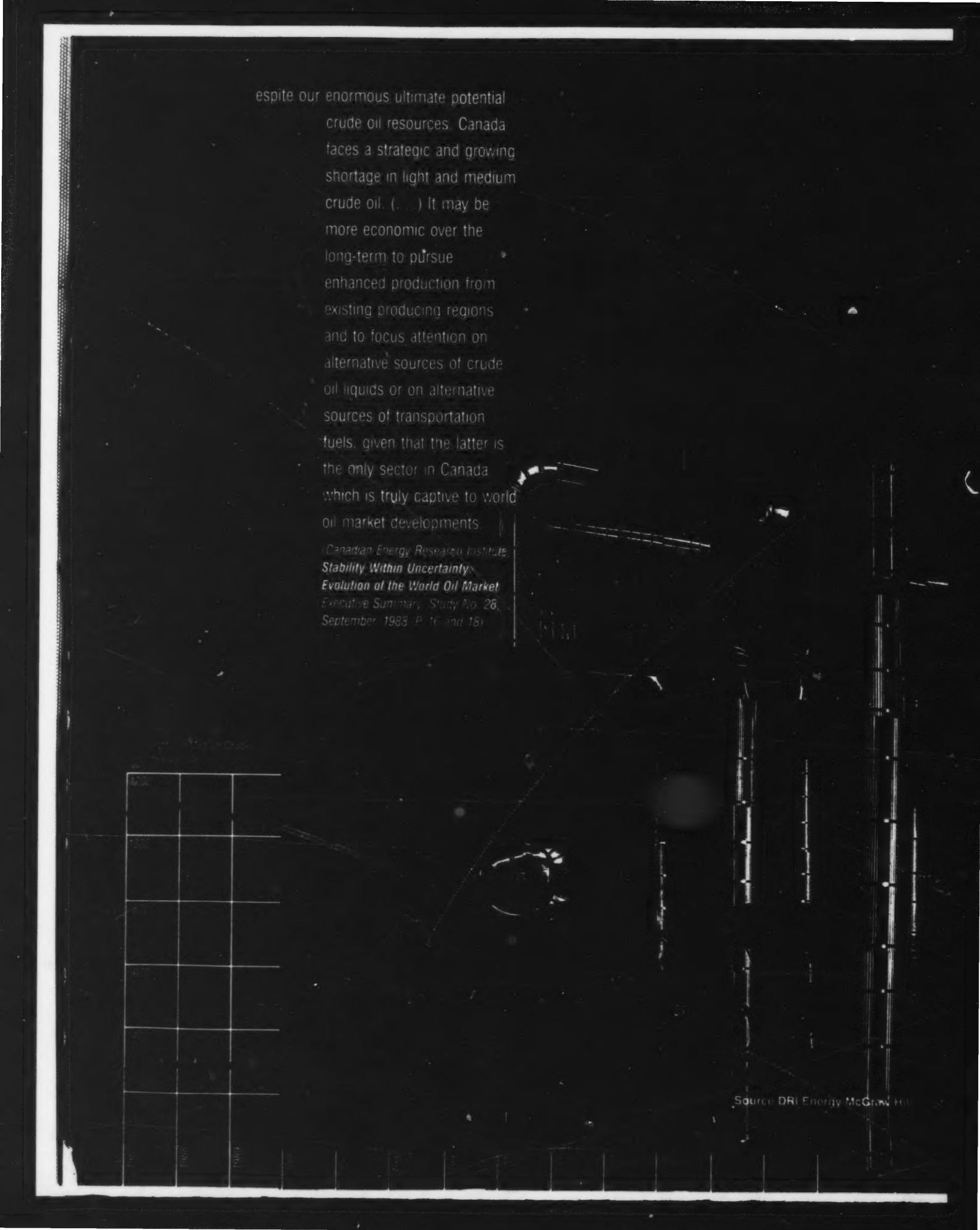
Natural Gas Production From Major Properties

(thousand cubic feet per day)

	Average Daily Production		
	December 1988	Average Annual 1988	1987
Saskatchewan			
Hatton	45,399	10,729	—
Beacon Hill	17,991	4,110	—
Smiley	4,614	2,986	586
Other	3,332	2,869	2,976
	71,336	**20,694**	**3,562**
Alberta			
Medicine Hat	37,239	16,565	—
Saddle Lake	6,241	1,914	—
Atmore	3,097	3,397	2,249
Esther	2,911	1,382	—
Mulligan	1,878	807	—
Craigmyle	1,636	1,060	436
Leduc	1,344	1,155	1,658
Enchant	1,200	951	1,266
Wainwright	1,110	634	1,151
Boyer	1,109	595	—
Other	5,598	8,459	1,215
	63,363	**36,919**	**7,975**
Total Corporate	**134,699**	**57,613**	**11,537**

espite our enormous ultimate potential crude oil resources, Canada faces a strategic and growing shortage in light and medium crude oil. (...) It may be more economic over the long-term to pursue enhanced production from existing producing regions and to focus attention on alternative sources of crude oil liquids or on alternative sources of transportation fuels, given that the latter is the only sector in Canada which is truly captive to world oil market developments.

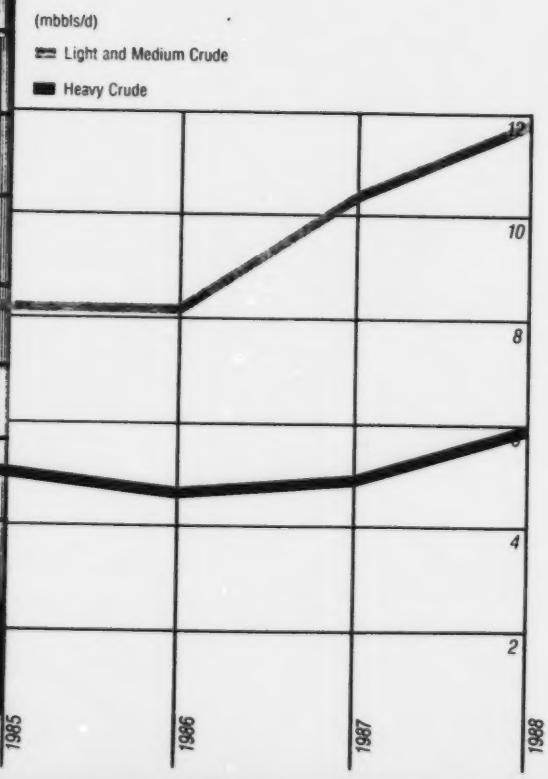
(Canadian Energy Research Institute, ***Stability Within Uncertainty: Evolution of the World Oil Market*** *Executive Summary, Study No. 26, September 1988, P. 15 and 16)*



Source: DRI Energy McGraw Hill

The Canadian industry experience in replacing light oil production through exploration over the last two decades has been disappointing. Saskoil has demonstrated that it can increase production from existing fields through effective reservoir management. We intend to continue this focus with a view to becoming an industry leader. The application of new technologies such as horizontal drilling provides an excellent addition to ongoing efforts to improve recovery from existing fields.

Saskoil
Crude Oil
Production



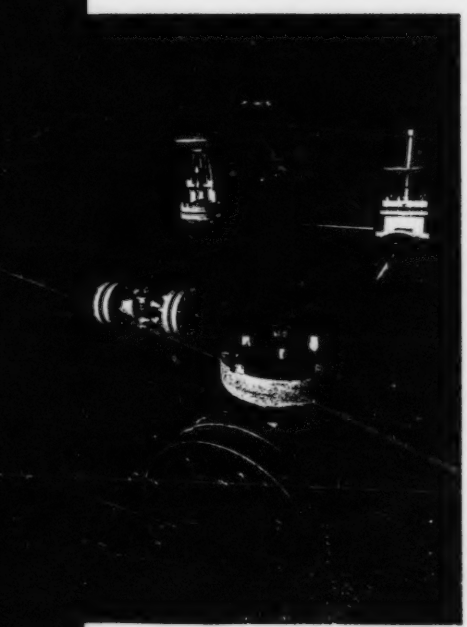
Enhanced Oil Recovery

(Left to right) Jonas Albeck, Manager, Administrative Services; Glenn Carley, Vice-President, General Counsel and Secretary; Gerry Hinds, Manager, Information Systems.

In 1988, Saskoil continued to concentrate on adding proven reserves from existing oil pools through its enhanced oil recovery (EOR) program. This program, completed during the first half of 1988, together with work carried out in 1987, enabled the Company to place 85 percent of its reserve base under long-term, stable and proven recovery mechanisms. Saskoil also improved its knowledge and expertise in the rapidly developing science of horizontal well technology with the successful completion of two such wells in the Company's Winter field.

The EOR program which involves waterflooding, fireflooding (in-situ combustion) and horizontal well technology, was successful in the development of 10 major crude oil pools. The waterflood program added 7.4 million barrels of proven reserves at a cost of $0.85 per barrel. In addition, the expansion of Battrum Unit #3 and the Battrum Air Plant provided improved recoveries from the commercial firefloods in the Battrum area at a cost of $3 per barrel. Combined, these two recovery methods added 8 million barrels of proven reserves to Saskoil at a cost of $1 per barrel.

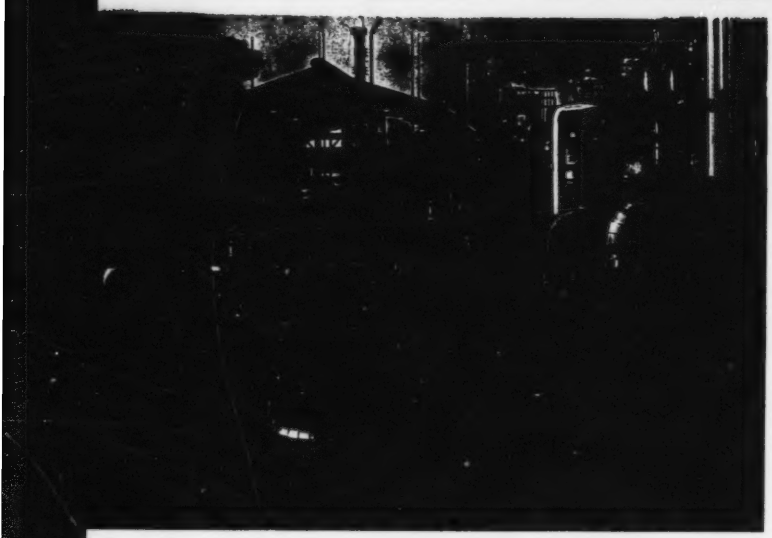
As a continuation of the successful program initiated in 1988, waterflooding operations will again be initiated in several reservoirs in 1989. The 1989 program is expected to add 3.9 million barrels of reserves at an average development cost of less than $1 per barrel.



Reduced recovery costs and the utilization of royalty incentive programs offered by the Government of Saskatchewan contributed to improved cash netbacks from those pools where improved recovery operations commenced in 1988.

The first phase of the Winter horizontal well drilling program was conducted through a joint venture at no capital cost to Saskoil. The project is targeted at developing thick heavy oil deposits which are over water. The reserves were initially deemed uneconomic by conventional completion techniques due to low recoveries and high operating costs associated with water production. However, because horizontal wells do not have to penetrate the water zone, the result is greatly improved production and recovery performance with lower operating costs.

The first two horizontal wells were completed during the fourth quarter of 1988 with encouraging results. The second phase of the project, involving three additional wells is scheduled for the first half of 1989. Full scale development over the next three to five years has the potential to recover 10 million barrels of the 225 million barrels of original oil in place.



Over the long-term, Saskoil will continue to concentrate a portion of its efforts on the development and implementation of enhanced oil recovery techniques, which potentially offer incremental recovery beyond that achievable by normal waterflooding techniques. In 1989, the Company plans to spend $9 million on horizontal drilling, steam injection and fireflooding technology.

Saskoil has an operated heavy oil resource base of 700 million barrels of oil in place and has targeted the development of 50 million barrels of additional recoverable reserves and 12,000 barrels per day of new production within the next five years.

Potential Additional Recoverable Reserves

Pool	Process	WI	Gross Original Oil in Place (mmbbls)	% Recovery Factor	Net Additional EOR Reserves (mmbbls)
Operated					
Luseland	Steam	0.33	58.3	25.0	4.9
Court	Steam	0.74	61.5	25.0	11.4
Marsden	Steam	0.74	69.9	25.0	12.9
Plover Lake	Steam	0.97	46.0	25.0	11.2
Buffalo Coulee	Fireflood	0.50	20.1	25.0	2.5
Senlac	Fireflood	0.50	67.7	25.0	8.5
Bone Creek(1)	Polymer	0.46	79.9	4.0	1.5
Hastings(2)	Polymer	0.45	14.9	9.5	0.6
Onion Lake	Steam	1.00	261.6	5.0	13.1
Winter(3)	Horizontal	0.50	260.0	4.0	5.2
Frog Lake	Development	0.75	187.0	5.0	7.0
Sub Total			**1,126.9**		**78.8**
Non-Operated					
Sub Total			**750.6**		**23.6**
Total			**1,877.5**		**102.4**

(1) Polymer/Chemical
(2) CO_2/Hydrocarbon
(3) Horizontal wells and primary combined with thermal recovery methods could raise the recovery factor

Reserves

The acquisition of the SPC oil and gas assets, an active and successful exploration and development program, and improved enhanced oil recovery techniques all contributed to significant reserve additions in 1988.

Summary Of Reserves Position

	As at December 31, 1988			As at April 1, 1988			As at December 31, 1987		
	Crude oil and NGLS (mmbbls)	Natural gas (bcf)	Present value discounted at 15% ($millions)	Crude oil and NGLS (mmbbls)	Natural gas (bcf)	Present value discounted at 15% ($millions)	Crude oil and NGLS (mmbbls)	Natural gas (bcf)	Present value discounted at 15% ($millions)
Proven Producing	56.0	319.0	$444.0	52.0	217.0	$421.0	51.9	30.3	N/A
Proven Undeveloped	6.2	250.5	187.9	10.0	364.0	253.0	3.1	47.1	N/A
Total proven	62.2	569.5	$631.9	62.0	581.0	$674.0	55.0	77.4	$283.7
Probable	24.5	358.5	128.5	25.0	302.0	113.0	28.3	17.3	49.9
Total	**86.7**	**928.0**	**$760.4**	**87.0**	**883.0**	**$787.0**	**83.3**	**94.7**	**$333.6**

Notes: 1) The reserves as at December 31, 1988 were estimated by the Company's engineering staff, whereas the reserves at April 1, 1988 and December 31, 1987 were estimated by Coles Nikiforuk and Pennell.
2) The April 1, 1988 contrast to December 31, 1987 highlights the effects of the SPC acquisition. The December 31, 1988 figures versus April 1, 1988 highlight our progress since then.
3) While reserves at year end 1988 are higher than in April 1988, total values have declined due to the use of lower price forecasts.

Key Assumptions

1. As is typical in such analyses, a risk factor of 50 percent has been applied to future revenues from probable reserves to account for geological and engineering uncertainty.
2. The methodology employed assumes the continuance of current regulations and takes into account inflation with respect to future operating and capital costs.
3. The oil and gas price forecasts used are as follows:

	Oil Prices		Saskatchewan Gas Prices		Alberta Gas Prices
			$/million BTU		
Year	West Texas Intermediate at Cushing D2/S2 $US/bbl.	Edmonton City Gate D2/S3 $Cdn./bbl.	Solution gas	New gas	
1989	17.00	19.50	1.04	1.30	1.47
1990	18.50	21.50	1.20	1.32	1.58
1991	20.50	24.00	1.42	1.76	1.91
1992	22.50	26.50	1.79	2.29	2.29
1993	25.00	29.50	2.08	2.63	2.69

The oil price escalates by five percent per year after 1993. The gas price escalates to $5.20, $5.01, and $4.00 by the year 2000 for Alberta, Saskatchewan new gas and Saskatchewan solution gas, respectively, and five percent thereafter.

Proven crude oil reserves increased by 10.6 million barrels which more than offset a record production level of 6.6 million barrels. In total, proven crude oil reserves reached 62.2 million barrels, while proven plus probable reserves increased to 86.7 million barrels. During the year, 2.3 million barrels of crude oil were added through exploration and development. Enhanced oil recovery and adjustments due to improved performance in several major waterfloods contributed an additional 8 million barrels.

Major proven oil reserve additions were made through exploration and development at Belloy, Gilwood, Elswick and Westhazel. As well, 10 new or expanded unitization and waterflood projects were implemented. These types of projects normally qualify for reduced royalties. Saskoil's EOR program placed 85 percent of the Company's proven reserves under pressure maintenance or other enhanced recovery depletion programs. The reserve life for crude oil based on 1988 production levels is 9.4 years, as compared to 9.8 years in 1987.

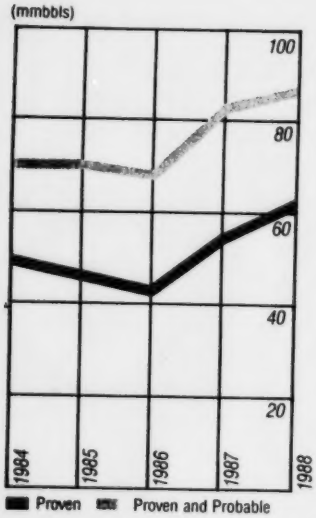
Saskoil's acquisition of the SPC reserves boosted proven natural gas reserves from 77.4 billion cubic feet in 1987 to 569.5 billion cubic feet at year-end 1988. Subsequently, an active development program converted 120 billion cubic feet from proved undeveloped reserves to proven producing thereby supporting the rapid growth in sales volumes.

Five major natural gas pools representing 55 percent of the total proven reserves underwent the first phase of an extensive drilling and facilities construction program. This program more than doubled the deliverability of Saskoil's Hatton, Horsham, Crane Lake, Bronson Lake and Beacon Hill properties.

Based on year-end production rates, Saskoil's major gas fields have a reserve life of more than 11.6 years based on proven reserves and 18.8 years based on proven plus probable.

Crude Oil Reserves

(mmbbls)



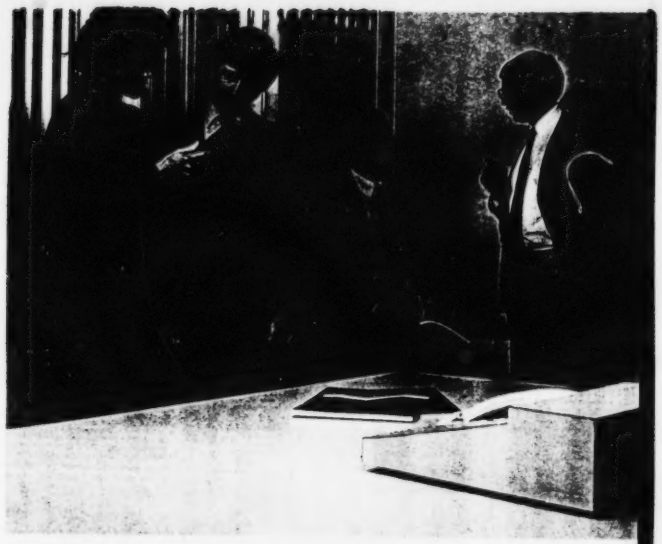
Crude Oil Reserves Position

As at December 31, 1988
(millions of barrels)

Reserves Reconciliation	Total proven	Probable	Total
As at December 31, 1987	55.0	28.3	83.3
Additions	10.3	0.9	11.2
Revisions	2.6	(6.1)	(3.5)
Acquisitions	0.9	1.4	2.3
Production	(6.6)	—	(6.6)
As at December 31, 1988	**62.2**	**24.5**	**86.7**

Reserves by Product Type	Light and medium	Heavy oil	Total reserves
Proven producing as at December 31, 1987	41.5	10.4	51.9
Additions	5.0	4.8	9.8
Revisions	—	—	—
Acquisitions	0.5	0.4	0.9
Production	(4.5)	(2.1)	(6.6)
Proven producing reserves	42.5	13.5	56.0
Proven undeveloped reserves	2.7	3.5	6.2
Total proven reserves	45.2	17.0	62.2
Probable additional	16.4	8.1	24.5
Total Reserves as at December 31, 1988	**61.6**	**25.1**	**86.7**

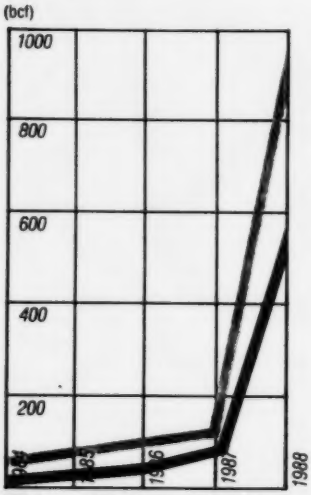
Reserves by Geographic Area	Total proven	Probable	Total
Saskatchewan	55.5	22.0	77.5
Alberta	6.5	2.4	8.9
Manitoba	0.2	0.1	0.3
Total	**62.2**	**24.5**	**86.7**



(Left to right) Bev Howes, Marketing Analyst; Tom Bamford, Manager, Corporate Planning; Mike Collins, Manager, Marketing; Mark Congram, Director, Gas Marketing.

Natural Gas Reserves

(bcf)



Natural Gas Reserves Position

As at December 31, 1988
(billion cubic feet)

Year-end reserves were estimated by Saskoil engineering and geological staff in conjunction with an independent evaluation conducted in the first half of 1988. The method used and definitions employed are common to the industry and meet with the standard set by the independent consulting engineers.

Reserves Reconciliation	Proven	Probable	Total
As at December 31, 1987	77.4	17.3	94.7
Additions	3.4	3.3	6.7
Revisions	0.8	55.9	56.7
Acquisitions	509.0	282.0	791.0
Production	(21.1)	—	(21.1)
As at December 31, 1988	**569.5**	**358.5**	**928.0**

Reserves by Geographic Area	Proven	Probable	Total
Saskatchewan	405.6	283.7	689.3
Alberta	163.9	74.8	238.7
Total	**569.5**	**358.5**	**928.0**

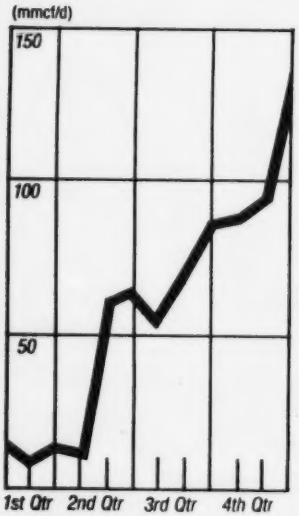
Summary of Major Producing Fields	Working Interest	Total Proven	Probable	Total
Saskatchewan				
Hatton	70%	152.3	30.8	183.1
Cypress	92%	46.7	83.3	130.0
Beacon Hill	66%	50.6	36.5	87.1
Fort Pitt	86%	13.1	6.5	19.6
Horsham	94%	56.4	12.0	68.4
Luseland	100%	13.2	43.4	56.6
Bronson Lake	40%	9.4	3.6	13.0
Crane Lake	50%	11.9	1.0	12.9
Total		**353.6**	**217.1**	**570.7**
Alberta				
Medicine Hat	77%	48.6	—	48.6
Saddle Lake	30%	12.1	3.0	15.1
St. Lina	40%	9.5	1.2	10.7
Northeast Alberta	36%	28.1	9.9	38.0
Total		**98.3**	**14.1**	**112.4**
Minor Gas Properties		**117.6**	**127.3**	**244.9**
Total Natural Gas Reserves		**569.5**	**358.5**	**928.0**

Marketing

1988

Natural Gas

Production By Month



Natural gas marketing efforts were accelerated during 1988, a year of both challenge and opportunity for natural gas producers and marketers. Deregulation of natural gas markets, quick access to transportation and the ability to access new export markets provided producers with an incentive to rapidly accelerate their gas development plans.

The properties acquired from SPC are of excellent reservoir quality and are well located with respect to gas transportation and transmission facilities. By initiating an active development program in the last half of 1988, Saskoil was able to establish more than 70 million cubic feet per day of gas sales capability. This deliverability was fully contracted with a view to taking advantage of available long-term markets and using attractively priced shorter-term markets to provide portfolio flexibility.

As the North American gas supply/demand balance approaches an equilibrium during the early 1990s, the traditional problem of over supply will be replaced by one of market access. With this in mind, Saskoil views the participation in and control of transportation systems as a crucial area that will require special attention over the next decade. The Company has started to review a number of alternatives that may be converted to competitive advantage in the area of transportation.

Saskoil also recognizes the need for diversity in markets as an important element in attaining its long-term goals. The Company, therefore, has allocated at least 10 percent of its gas portfolio to short-term contracts (less than two years) with the balance dedicated to long-term contracts. While volumes for these contracts have been specified, prices over the next one to two years will become market based and subject to arbitration. The Company's goal is that these contracts are geographically distributed with 30 percent in Saskatchewan, 30 percent in other Canadian markets and, in time, 30 percent in exports to the United States.

Currently Saskoil's volumes exported to the United States are limited to those sold to traditional marketers such as Pan Alberta, ProGas and Western Gas Marketing Limited. However, by pursuing transportation initiatives and alternatives, Saskoil expects that its United States volumes will reach 15 percent of the Company's totals during 1989.

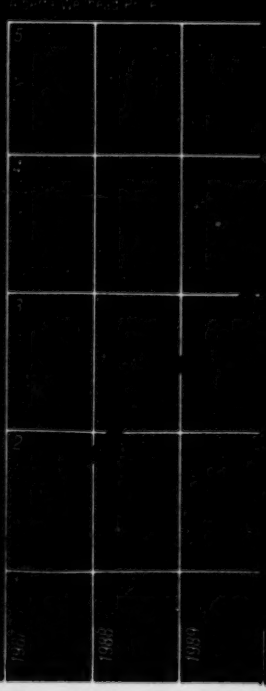
Natural Gas

Markets

	December 1988 (mmcf/d)	%	Annual 1987 (mmcf/d)	%
System	9	6.7	4.1	35.6
Industrial	40	29.6	3.9	33.9
LDC	47	34.8	2.3	20.0
Core	39	28.9	1.2	10.5
Total	**135**	**100.0**	**11.5**	**100.0**

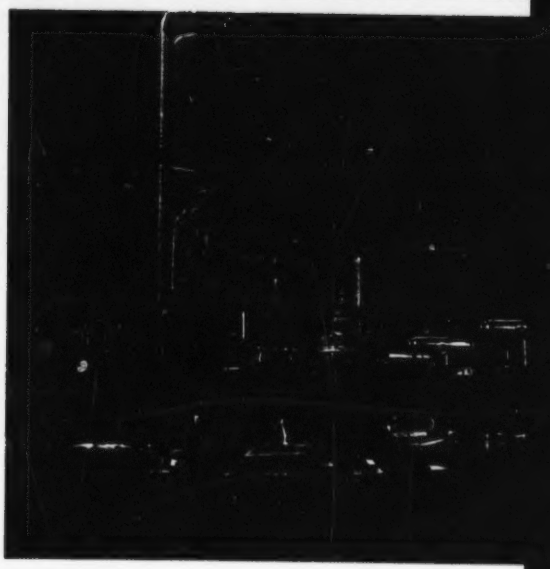
he ... forecast indicates that conditions in U.S. markets could potentially drive the Alberta wellhead price up to $3.10 per MMbtu by the early 1990s and that this price could increase at an average rate of three percent thereafter.

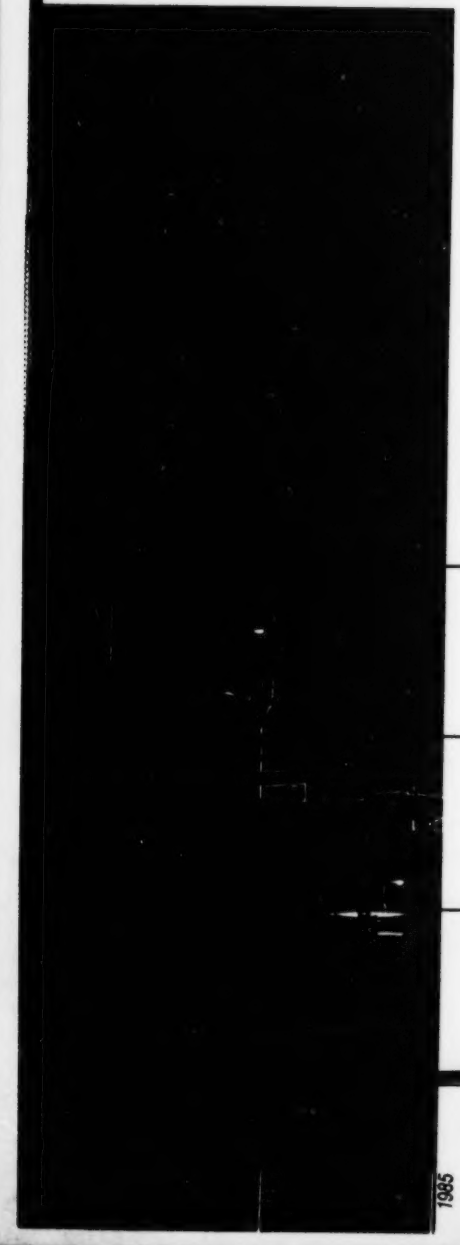
*(Canadian Energy Research Institute, **World Oil Market Analysis**, Volume ..., No. 4, October 1988)*



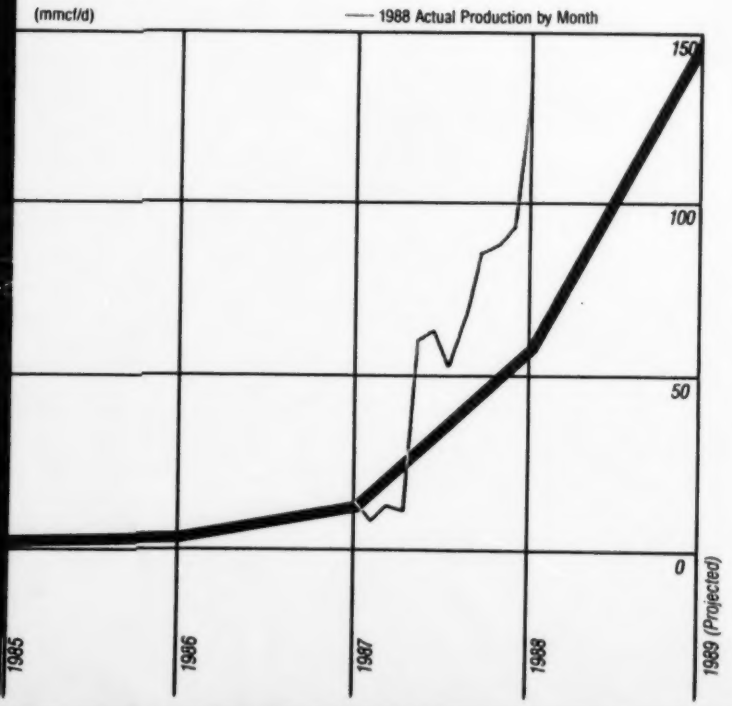
Source: Canadian Energy Research Institute

Reduced levels of natural gas exploration in the U.S. have contributed to the severe erosion in the supply base, which coupled with growing demand should result in improving volumes and prices for Canadian gas. Over the next five years, Saskoil expects that Canadian natural gas prices will increase more rapidly than crude oil prices.





Saskoil
Average Annual
Natural Gas Production



In 1988, Saskoil contracted 145 billion cubic feet of natural gas reserves to high load factor markets. Sales agreements for 21 million cubic feet per day were executed with two major eastern Canadian utilities. These contracts were for 10 and 15 years and have flowed at 100 percent of contracted rates since startup. A further 40 million cubic feet per day was placed with other eastern Canadian consumers with contracts ranging from one to five years and 5 million cubic feet per day was directed to the Saskatchewan industrial market.

In addition to these new sales, Saskoil acquired a significant portfolio of existing sales contracts with the SPC acquisition. These contracts are predominantly long-term and add an average of 55 million cubic feet per day to Saskoil's deliverability. These additions increased average sales from 11.5 million cubic feet per day at the start of 1988 to 135 million cubic feet per day by year-end.

Recently, Saskoil executed a new contract with its largest Alberta customer which will see volumes increase from 20 to 30 million cubic feet per day during the second quarter of 1989. With ongoing development work on undeveloped lands, it is anticipated that Saskoil will have a natural gas sales capability of more than 200 million cubic feet per day during 1989.

Crude Oil Marketing

In 1988, Saskoil continued its strategy of diversification of end use markets. The primary thrust was the negotiation of a crude oil supply contract with the NewGrade Upgrader in Regina. In addition to the benefits offered by multiple purchasers of a crude stream, this move reduced the Company's transportation risk due to the proximity of the Upgrader to Saskoil's crude supply. Volumes began to move to the Upgrader in October 1988. This mitigation of transportation risk is especially important in view of the fact that pipeline capacity apportionments of up to 22 percent persisted in 1988. In spite of these transportation problems within the industry, Saskoil was able to avoid shutting-in any of its production. This was mainly due to the flexibility afforded the company by controlling significant volumes of crude oil entering the trunk pipelines as opposed to a more traditional wellhead sale.

During 1988, Saskoil consolidated its marketing control of its production by contracting for pipeline space and becoming a shipper of crude oil directly to end use refineries. More specifically, in 1988 Saskoil began shipping its Fosterton stream (5,000 barrels per day), its Midale Stream (1,500 barrels per day) and the balance of its light sour blend stream (1,500 barrels per day).

Crude Oil Purchasers

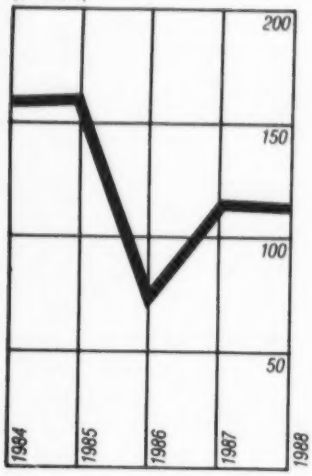
	1988		1987	
	Avg. bbls/d	%	Avg. bbls/d	%
Koch	5500	30.7	5700	37
Union	3500	19.6	3100	20
Mobil	2000	11.2	1600	10
Co-op	1400	7.8	—	—
Gulf	1300	7.3	—	—
Texaco	1100	6.1	1300	8
Misc.	3100	17.3	3700	25
	17900	**100.0**	**15400**	**100**

Financial Review

(Left to right) Jim Brown, Treasurer; Chris Bradley, Controller.

Saskoil Gross Revenue

($ millions)



The Company affected a major diversification and expansion of its asset base and shareholders' equity as a result of the acquisition of the oil and gas assets of SPC. The transaction valued at $325 million was comprised of cash, securities, notes and royalty interests.

The acquisition resulted in an increase in Saskoil's capital investment program in order to accelerate natural gas production by year-end. This investment program was implemented during an environment of lower drilling and equipping costs.

A bank line of credit totalling $215 million was arranged during the year with two Canadian chartered banks of which $200 million is an extendable revolving term facility.

A sale/leaseback of oil and gas production equipment was initiated in the fourth quarter and closed in January of 1989, raising $80 million of fixed rate financing through a national public distribution of limited partnership units. The net proceeds of $7.7 million were subsequently used to pay down bank debt.

The diversification into natural gas and the dramatic increase in gas production in November and December has helped to offset the decreased revenue resulting from lower crude oil prices, thereby maintaining gross revenue at the same level as 1987.

Revenue

Revenues from oil and gas sales, net of royalties, improved four percent in 1988 to $92.9 million. This was the result of the following factors:

	1988	1987	Effect on net revenue ($thousands)
16% increase in oil production barrels per day	17,900	15,400	$19,000
401% increase in gas production thousand cubic feet per day	57,600	11,500	25,000
33% decrease in oil prices $ per barrel	$13.25	$19.69	(42,200)
10% decrease in gas prices $ per thousand cubic feet	$ 1.30	$ 1.45	(3,200)
19% decrease in royalty expenses $ millions	$22.2	$27.4	5,200
Net revenue	$92,900	$89,100	$3,800

While royalties were lower due to lower prices, the reduction in royalties was not proportionate to the drop in selling price.

Expenses

The Company achieved reductions in all expense categories on a per barrel of oil equivalent basis (using 10:1 gas to oil conversion rate).

Total operating expenses increased 30 percent to $35.9 million in 1988 due to record production volumes. However, on an equivalent barrel basis, operating expenses decreased nine percent.

General and administrative expenses increased in total to $13 million due to an expansion of the Company's technical staff. However, on an equivalent barrel basis, these expenses were down 18 percent from $1.83 in 1987 to $1.50 in 1988.

General and Administrative Expense

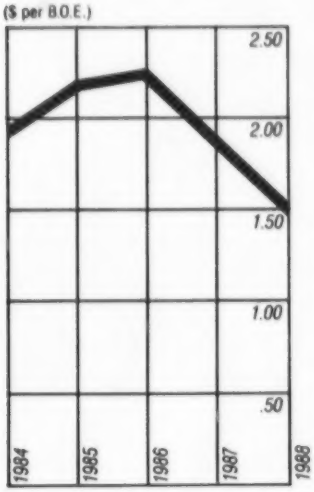
(millions of dollars except per barrel amounts)

	1988	1987
Gross general and administration expense	$21.5	$17.3
Less: Operator recoveries	1.9	1.5
Capitalized overhead	3.9	4.4
Reorganization costs	1.6	—
Capital taxes	1.1	—
Net general and administration expense	$13.0	$11.4
Total production (millions of equivalent barrels)*	8.7	6.0
Net general and administration expense per equivalent barrel	**$1.50**	**$1.83**

*Natural gas has been converted to equivalent barrels of oil using a factor of 10 thousand cubic feet per barrel.

General and Administrative Expenses

($ per B.O.E.)



Depletion and depreciation climbed to $43.5 million from $29.5 million in 1987 due entirely to increased production. The acquisition of lower cost gas reserves reduced the average depletion and depreciation rate to $4.23 per equivalent barrel of oil, a reduction of 10 percent from the 1987 rate of $4.68.

Interest expense increased by $8.4 million to $11.4 million in 1988 due to the funding requirements of the property acquisitions and increased capital activities.

Cash Flow and Earnings

The accompanying table shows that the cash flow per unit of production after deducting royalties and operating costs decreased 41 percent for crude oil and 15 percent for natural gas due to the significant price declines experienced in 1988.

Cash Netbacks Per Unit Of Production

	Crude Oil ($/bbl)		Natural gas ($/mcf)	
	1988	1987	1988	1987
Average sales price	$13.25	$19.69	$1.30	$1.45
Royalties	(2.55)	(4.71)	(0.26)	(0.23)
Operating expense	(4.57)	(4.61)	(0.28)	(0.33)
Cash netback	**$ 6.13**	**$10.37**	**$0.76**	**$0.89**

Summary of Unit Cash Flows

(Oil—dollars per barrel, Gas—dollars per thousand cubic feet)

	1988	1987
Saskatchewan:		
Light-medium oil	$5.68	$9.73
Heavy oil	4.98	10.20
Natural gas	0.81	1.62*
Alberta:		
Crude oil	$9.58	$14.13
Natural gas	0.72	0.57
Combined:		
Crude oil	$6.13	$10.37
Natural gas	0.76	0.89

*Substantially solution gas sales associated with crude oil sales where royalties and operating costs are largely absorbed by crude oil production.

This resulted in an $8.7 million loss ($0.41 per common share) in 1988. The Company's financial performance was highly sensitive to crude oil prices in 1988. In 1989, with a more balanced production base and a more constructive price environment, financial performance should improve sharply.

Oil prices recovered in late 1988 and early 1989 but the market remains uncertain and continued price fluctuations are expected. Each $1 change in the Company's average oil price per barrel impacts Saskoil's annualized cash flow by $6 million or $0.15 per common share.

World oil prices are quoted in U.S. dollars and therefore a strong Canadian dollar will result in lower Canadian wellhead oil prices. A $0.01 change in the value of the Canadian dollar affects Saskoil's cash flow and earnings by about $1 million or $0.03 per common share.

Each $0.10 per thousand cubic feet change in the average annual natural gas price will impact 1989 cash flow and earnings by more than $5 million or $0.13 per common share. As the Company's natural gas reserves are brought to their full potential, this cash flow sensitivity to natural gas prices will increase.

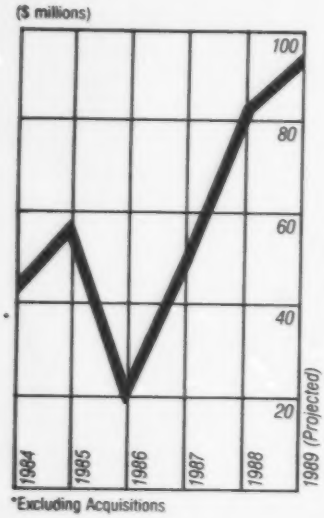
Income Tax

Saskoil incurred no income tax expense in 1988 and, at December 31, 1988, has $688 million of tax pools available to shelter future income from taxes. The breakdown of these pools is as follows:

	($millions)
Canadian exploration expense	$ 60
Canadian development expense	134
Canadian oil and gas property expense	263
Undepreciated capital cost	225
Other	6
Total	$688

These tax pools represent an excess of $58 million over the net book value of the related property and equipment and will give rise to an extraordinary reduction of income tax expense in future years. In 1988, Saskoil incurred $1.1 million in Saskatchewan Corporation Capital Tax, including a two percent surcharge introduced in mid 1988 on all revenue from Saskatchewan oil and natural gas production.

Capital Investment



*Excluding Acquisitions

Investment and Financing Activities

Saskoil's strategy to diversify its resource base and become a more balanced crude oil and natural gas producer was achieved in the first half of 1988 through the acquisition of substantially all the oil and gas assets of SPC.

The transaction was valued at $325 million, before acquisition costs of $1.9 million, and was financed as follows:

	($ millions)
Issue of 13,000,000 common shares of Saskoil at $9.44 per share	$122.7
Issuance of 5,000,000 warrants to purchase 5,000,000 common shares of Saskoil at $11 per share expiring October 31, 1990	13.0
Cash, financed by bank indebtedness	122.3
Non-interest bearing promissory note, with payments commencing June 1, 1991 (discounted value $12,800,000)	20.0
Non-interest bearing cash flow indenture, payments commencing June 1, 1995 (discounted value $10,300,000)	25.0
Gross overriding royalty to SPC	22.0
	$325.0

Subsequent to the acquisition, SPC issued bonds exchangeable for the 13 million common shares of Saskoil. During the period prior to exchange, the holders of the bonds have the right to direct voting of the Saskoil shares. SPC has agreed that if the bonds are not exchanged for the Saskoil shares, SPC will sell the shares to Saskoil or to an arms-length third party designated by Saskoil. SPC has also agreed to dispose of the warrants on or prior to the exercise date.

After allowing for the overriding royalty retained by SPC, recording the promissory note and cash flow indenture at their present value costs and including the acquisition costs, the net purchase price was $283 million.

Capital Expenditures

(millions of dollars)

	1988	1987
Land acquisition	$ 6.8	$11.1
Geological and geophysical	4.4	6.7
Exploration drilling	12.3	11.1
Development and infill drilling	20.0	4.5
Waterflood and enhanced recovery	7.5	6.0
Facilities and equipment	19.6	6.5
Lease rentals	1.8	0.8
Other	7.0	1.4
Capitalized overhead	3.9	4.4
Total Capital Expenditures	**83.3**	**52.5**
SPC acquisition	283.0	
Government incentives	(3.6)	(6.2)
Proceeds from disposal of assets	(0.3)	(1.6)
Net Capital Expenditures	**$362.4**	**$44.7**

The 1988 exploration and development programs required gross capital expenditures of $83.3 million versus $52.5 in 1987 and were funded approximately one-half by internally generated cash flow and one-half by borrowings.

During 1988, Saskoil established a $200 million credit facility jointly with The Royal Bank of Canada and the Bank of Nova Scotia. This credit facility has an initial revolving term of three years, which may be extended by the lenders annually thereafter. Failing such extension, the facility reverts to a seven year term facility. The credit facility requires annual tests of reserve value and serviceability. The facility is secured by a floating charge debenture on certain of the Company's assets. Interest is payable at the Prime Rate, however Saskoil has been able to reduce its effective borrowing rate by at least one-half of one percent by utilizing banker's acceptances. In addition, an operating line of credit in an amount of $10 million has been established, with a further line of credit of $5 million to cover credit on electronic funds transfers. At year-end, $156 million had been drawn down under the credit facility, while the operating line was undrawn.

At December 31, 1988, an additional $15 million in long-term debt was outstanding in the form of Saskoil Participation Bonds. These bonds bear interest at a base rate of 10 percent plus a variable component equal to .03 percent for every $1 million in net sales revenue for the year. The rate of interest paid on the bonds in 1988 was 12.7 percent.

At year-end, the total outstanding shares were 39.3 million common shares and 7.6 million voting convertible preferred shares. The preferred shares pay a dividend of $0.725 per share per annum, which amounted to $5.5 million during 1988. Cash flow of $34.8 million provided dividend coverage of 6.3 times the preferred share dividends.

Share Capital

At December 31, 1988
(millions of dollars except per share amounts)

	Common	Preferred	Total
Number of shares outstanding	39,254,351	7,561,895	—
Shareholders' equity	$375.60	$75.60	$451.20
Per share	$9.57	$10.00	—

The present value of established reserves (proven plus one-half probable), discounted at 15 percent before tax, is estimated to be $760.4 million. In addition, the Company's unexplored land portfolio has been valued at $59 million. Combining these values and making the necessary balance sheet adjustments results in a net asset value increase in 1988 of 16 percent per common share on a fully diluted basis.

Asset Value per Fully Diluted Common Share

(millions of dollars)

	1988	1987
Reserve values discounted at 15% before income taxes[1]	$760.4	$333.6
Undeveloped acreage[2]	59.0	44.4
Working capital	18.1	35.0
Long-term debt	(195.3)	(15.0)
Other	(2.2)	(1.9)
Proceeds on exercise of warrants and options	61.9	—
Total	**701.9**	**396.1**
Fully diluted common shares (millions)	51.4	33.8
Net asset value per fully diluted common share	$13.66	$11.73

1 1987 reserves were determined by Coles Nikiforuk Pennell. 1988 reserves were determined by in-house engineers
2 Determined by independent land appraisers as of April 1, 1988

On December 13, 1988, a final prospectus was filed in Canada, offering 800,000 retractable units in Saskoil Equipment Leasing (1988) Limited Partnership. The Partnership's general partner, SOGC Leasing Inc., is a wholly owned subsidiary of Saskoil. Upon closing on January 9, 1989, the net proceeds from the sale of these Units of $76,900,000, after commissions and issue expenses of $3,100,000, were used by the Partnership to purchase from the Corporation certain oil and gas production and processing equipment. The purchase price was based on the fair market value of the equipment as determined by an independent appraisal. The equipment consists of gas plants, flowlines, treaters, dehydrators, tanks, and other tangible production and processing equipment. This equipment was then leased back to Saskoil for a term of 20 years. Saskoil has the option to purchase the leased equipment at fair market value at the end of the lease and has a further option to repurchase the equipment at the end of 13 years for $55,368,000.

The Units are retractable at the option of the Unitholders on December 31, 1993, at a price of $100 per Unit. Unless the holders of at least 50 percent of the outstanding Units instruct the Partnership that they do not wish to retract their Units, Saskoil may require the Partnership to redeem, at a price of $100 per Unit, all of the outstanding Units not tendered for retraction.

Saskoil has agreed to subscribe on December 31, 1993, for a sufficient number of Units so as to ensure that the Partnership has the funds necessary to pay for Units retracted and redeemed.

The benefits to Saskoil of this transaction are as follows:

- The proceeds were used by Saskoil to repay high cost floating interest rate bank debt. Saskoil has fixed or locked-in a significant portion of its debt at an effective cost of less than nine percent.
- The reduction of bank debt will provide greater financial flexibility for Saskoil to allow for continued growth. After this financing, Saskoil has substantial unutilized lines of credit for its future financing requirements.

As a result of this transaction, Saskoil continues to be financially sound and flexible to pursue its objectives and meet the demands of its growing business.

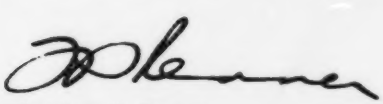
Management Report

The accompanying consolidated financial statements and all information in the annual report are the responsibility of management. The consolidated financial statements have been prepared by management in accordance with the accounting policies in the notes to consolidated financial statements. Where necessary, management has made informed judgements and estimates in accounting for transactions which were not complete at the balance sheet date. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality and are in accordance with Canadian generally accepted accounting principles appropriate in the circumstances. The financial information elsewhere in the annual report has been reviewed to ensure consistency with that in the consolidated financial statements.

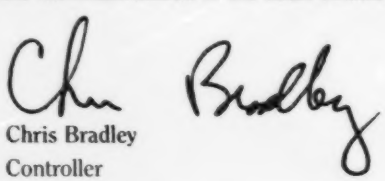
Management maintains appropriate systems of internal control including an internal audit function. Policies and procedures are designed to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded and financial records properly maintained to provide reliable information for the preparation of financial statements.

Clarkson Gordon, an independent firm of Chartered Accountants, has been engaged, as approved by a vote of the shareholders at the Corporation's most recent annual general meeting, to examine the consolidated financial statements in accordance with generally accepted auditing standards in Canada and provide an independent professional opinion. Their report is presented below.

The audit committee of the Board of Directors, which is comprised of directors who are not employees of the Corporation, has reviewed the consolidated financial statements, including the notes thereto, with management and both internal and external auditors. The consolidated financial statements have been approved by the Board of Directors on the recommendation of the audit committee.



Theodore H. Renner
President and
Chief Executive Officer



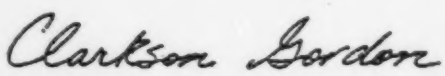
Chris Bradley
Controller

Auditors' Report

To the Shareholders of Saskatchewan Oil and Gas Corporation:

We have examined the consolidated balance sheet of Saskatchewan Oil and Gas Corporation as at December 31, 1988, and the consolidated statements of earnings, retained earnings, and changes in cash position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Regina, Canada
February 10, 1989

Chartered Accountants

Saskatchewan Oil and Gas Corporation

Consolidated Balance Sheet

As at December 31

(thousands of dollars)

Assets	1988	1987
Current		
Cash, including short term investments	$ 15,800	$ 26,462
Accounts receivable	25,628	28,324
Inventories and prepaid expenses	7,269	4,852
	48,697	59,638
Property and equipment (note 3)	630,528	311,582
	$679,225	$371,220
Liabilities		
Current		
Accounts payable	$ 30,563	$ 24,615
Long term debt (note 4)	195,260	15,000
Deferred PGRT and revenue	2,227	2,265
	228,050	41,880
Shareholders' Equity		
Share capital (note 5)	441,549	305,500
Retained earnings	9,626	23,840
	451,175	329,340
	$679,225	$371,220

Approved by the Board:

Director

Director

See accompanying notes

Saskatchewan Oil and Gas Corporation

Consolidated Statement of Earnings

For the year ended December 31

(thousands of dollars except per share amounts)

	1988			1987		
	Crude Oil	Natural Gas	Total	Crude Oil	Natural Gas	Total
Revenue	$87,165	$27,938	$115,103	$110,764	$5,735	$116,499
Royalty expense	16,673	5,532	22,205	26,433	972	27,405
Operating expense	30,007	5,897	35,904	25,761	1,849	27,610
Net operating income	$40,485	$16,509	56,994	$58,570	$2,914	61,484
Other income			2,131			4,389
			59,125			65,873
Corporate expenses						
General and administrative			12,977			11,015
Reorganization costs			1,573			—
Depletion and depreciation			43,521			29,528
Interest			11,436			2,986
			69,507			43,529
Earnings (loss) before taxes			(10,382)			22,344
Deferred income tax expense (note 6)			—			10,900
Capital taxes			1,136			379
Alberta royalty tax credit			(2,797)			(2,220)
			(1,661)			9,059
Earnings (loss) before extraordinary item			(8,721)			13,285
Extraordinary reduction in tax (note 6)			—			9,300
Earnings (loss)			$ (8,721)			$ 22,585
Earnings (loss) per Common Share						
Before extraordinary item			$(0.41)			$0.35
After extraordinary item			$(0.41)			$0.76

Consolidated Statement of Retained Earnings

For the year ended December 31

(thousands of dollars)

	1988	1987
Retained earnings, beginning of year	$23,840	$ 8,074
Earnings (loss)	(8,721)	22,585
Public share issue costs	—	(1,323)
Preferred share dividends	(5,493)	(5,496)
Retained earnings, end of year	$ 9,626	$23,840

See accompanying notes

Saskatchewan Oil and Gas Corporation

Consolidated Statement of Changes in Cash Position

For the year ended December 31

(thousands of dollars)

	1988	1987
Operating activities		
Earnings (loss)	$ (8,721)	$ 22,585
Depletion and depreciation	43,521	29,528
Income tax effect	—	1,600
Other	(48)	(11)
Adjustment to cash basis	(4,432)	(1,815)
	30,320	51,887
Financing activities		
Net proceeds from common share issues (note 5)	123,049	47,077
Proceeds from common share warrant issue (note 5)	13,000	—
Proceeds from long term debt	180,260	—
Preferred share dividends	(5,493)	(5,496)
	310,816	41,581
Investing activities		
Capital expenditures	(83,335)	(52,545)
Government incentives	3,651	6,182
Proceeds on disposal of assets	264	1,666
Acquisition (note 2)	(283,037)	(65,263)
Adjustment to cash basis	10,659	481
	(351,798)	(109,479)
Decrease in cash	(10,662)	(16,011)
Cash, beginning of year	26,462	42,473
Cash, end of year	$ 15,800	$ 26,462

See accompanying notes

Notes to Consolidated Financial Statements

December 31, 1988

(tabular figures in thousands of dollars)

1. Summary of Significant Accounting Policies

Principles of consolidation

The consolidated financial statements of Saskatchewan Oil and Gas Corporation ("Saskoil" or "the Corporation") have been prepared in accordance with generally accepted accounting principles and include the accounts of Saskatchewan Oil and Gas Corporation and its wholly-owned subsidiaries. Saskoil is subject to the Saskatchewan Oil and Gas Corporation Act, 1985 and the Saskatchewan Business Corporation Act.

Substantially all exploration and production activities are conducted jointly with others. The consolidated financial statements reflect only Saskoil's proportionate interest in such activities.

Property and equipment

Capitalized costs Saskoil follows the full cost method of accounting in accordance with the full cost accounting guideline issued by The Canadian Institute of Chartered Accountants, whereby all costs related to exploration for and development of oil and gas reserves, whether productive or non-productive, are capitalized. Such costs include lease acquisition, geological and geophysical, drilling, interest and certain general and administration costs directly related to exploration and development activities.

A ceiling test is applied to the net book value of petroleum and natural gas property and equipment at year end. The ceiling test limits net book value to undiscounted future revenue from production of proven oil and gas reserves at year end prices less related future operating, general and administration and financing costs and income taxes plus the unimpaired cost of unproven properties. Any excess of net book value over the ceiling test amount is charged to earnings.

Depletion and depreciation Depletion and depreciation of oil and gas assets is calculated using the unit-of-production method. For purposes of the calculation, gross proven oil and gas reserves are determined by corporate or independent engineers. Gas reserves are converted to a common unit of measure on the basis of relative energy content.

Depreciation of other property and equipment is calculated at rates which charge original costs to operations over the estimated useful lives using the straight-line method.

Capitalization of interest Interest is capitalized on certain oil and gas expenditures relating to unusually significant investments in undeveloped properties. Interest capitalization ceases on encountering proven reserves, commencement of production or on abandonment of the property. Such capitalized costs are amortized to earnings on the same basis as other exploration and development costs.

2. Acquisition

Saskatchewan Power Corporation oil and gas properties

On June 3, 1988, Saskoil acquired oil and gas properties from Saskatchewan Power Corporation (SaskPower) with title to the oil and gas properties transferring to Saskoil effective May 1, 1988. The transaction, including a gross overriding royalty retained by SaskPower, was valued at $325,000,000 before acquisition costs and discounting of the promissory note and cash flow indenture. After allowing for the gross overriding royalty retained by SaskPower and discounting the promissory note and cash flow indenture the net purchase price was $283,037,000.

Details of the net purchase price for the assets acquired in thousands of dollars are as follows:

Consideration given	
Cash, financed by bank indebtedness	$124,229
Common shares issued (13,000,000 shares)	122,708
Common share warrants issued (5,000,000 warrants)	13,000
Promissory note (undiscounted value of $20,000,000)	12,800
Cash flow indenture (undiscounted value of $25,000,000)	10,300
Purchase price of assets acquired, including acquisition costs of $1,937,000	$283,037

3. Property and Equipment

	1988	1987
Petroleum and natural gas property and equipment	$828,603	$470,861
Other	15,579	10,955
	844,182	481,816
Less accumulated depletion and depreciation	213,654	170,234
	$630,528	$311,582

General and administration costs of $3.9 million (1987 — $4.4 million) and interest of $1.3 million (1987 — $nil) relating to exploration and development activities were capitalized.

For ceiling test purposes, year end oil prices were based on the West Texas Intermediate oil price of $17.24 U.S. adjusted to reflect the particular characteristics of Saskoil's oil reserves. The natural gas prices were determined from existing contracts and current market prices.

Costs of $27 million relating to unproven properties were excluded from the depletion and depreciation calculation (1987 — $9.9 million).

4. Long Term Debt

	1988	1987
Bank indebtedness	$155,546	$ —
Participation bonds	15,000	15,000
Note payable	13,695	—
Cash flow indenture	11,019	—
	$195,260	$15,000

The estimated annual undiscounted repayment requirements on long term debt, in thousands of dollars, are:

1989	—
1990	$15,000
1991	5,000
1992	5,000
1993	85,000
Remainder	105,546

Bank indebtedness

Bank indebtedness consists of a credit facility with an initial revolving term of three years, which may be extended by the lenders annually thereafter. Failing such extension, the facility reverts to a seven year term facility. The credit facility requires annual tests of reserve value and serviceability. A floating charge debenture covering all the Corporation's assets, excluding certain tangible production equipment, is held as collateral. Interest is payable at the lenders' prime interest rate.

Participation bonds

The participation bonds mature March 31, 1990 and are guaranteed as to principal and interest by the Province of Saskatchewan. Interest is payable March 31 of each year at a basic rate of 10% plus .03 percentage points for each full $1 million of net sales revenue for the preceding fiscal year. The interest rate for the twelve months ended March 31, 1989 was 12.88% (1988 — 12.73%).

Saskoil may redeem the participation bonds on March 31, 1989 upon payment of a premium of five per cent.

Note payable

The note payable to SaskPower has a par value of $20,000,000 and is repayable without interest in four equal annual installments of $5,000,000 commencing June 1, 1991. The note is recorded in the accounts at its net present value using a 10.5% discount rate.

Cash flow indenture

The cash flow indenture requires the Corporation to pay annually, commencing on June 1, 1995, to SaskPower the lesser of 10% of the cash flow from the oil and gas properties referred to in note 2 or $5,000,000 to a cumulative maximum of $25,000,000. The cash flow indenture is recorded in the accounts at its net present value using a 10.5% discount factor based on estimated future cash flows.

5. Share Capital

	Preferred Shares		Common Shares	
	Number	Amount	Number	Amount
Balance, December 31, 1986	7,585,984	$75,860	19,636,238	$179,640
Issued for cash			6,557,377	50,000
Conversion of preferred shares	(7,200)	(72)	7,200	72
Balance, December 31, 1987	7,578,784	75,788	26,200,815	229,712
Issued on the acquisition of the SaskPower oil and gas properties				
— Common shares			13,000,000	122,708
— Common share warrants			—	13,000
Conversion of preferred shares	(16,889)	(169)	16,889	169
Issued under employee stock options			12,500	94
Issued to employees' savings plan			24,147	247
Balance, December 31, 1988	7,561,895	$75,619	39,254,351	$365,930

Second preferred shares

The convertible second preferred shares series A, have voting privileges and are entitled to cumulative dividends of $0.725 per share per annum. These shares are convertible into common shares at the option of the holder at a rate of conversion of .833 common shares for each preferred share prior to the close of business on December 31, 1995.

The shares are redeemable at the option of Saskoil prior to the close of business on December 31, 1990 depending on future prices of the common shares on The Toronto Stock Exchange. Thereafter, the shares are redeemable at prices declining $.20 per share annually from $11.00 to $10.00.

Assuming conversion of the outstanding preferred shares at the beginning of the year, there would be no dilution of earnings per share.

Common shares

In June 1988 13,000,000 common shares were issued to a Trustee under a trust agreement as part of the consideration paid for the acquisition of oil and gas properties from SaskPower. Under the terms of the acquisition, SaskPower was required to issue bonds which are exchangeable for the Saskoil shares. At their option, the holders of the exchangeable bonds may at any time before maturity exchange the bonds for common shares of Saskoil. Until such time as the bonds are exchanged, the bond holders have the option to exercise the voting rights associated with the Saskoil common shares being held in trust. Saskoil retains such voting rights if the bond holders choose to not exercise this option. If at bond maturity there are shares which have not been exchanged, SaskPower will be entitled to sell the unexchanged shares to an arm's-length party. If such shares are not sold by SaskPower, Saskoil may direct SaskPower to sell all or any part of the shares to Saskoil or to a person designated by Saskoil at a price based on the then current trading prices.

Five million common share warrants were issued in June 1988 to a Trustee as part of the consideration paid for the acquisition of oil and gas properties from SaskPower. The holders of the warrants may purchase Saskoil common shares for $11.00 per share between December 3, 1988 and October 31, 1990. SaskPower is not entitled to exercise the warrants, but is required to transfer the warrants to arm's-length parties prior to September 1, 1990. If SaskPower does not transfer such warrants Saskoil may direct SaskPower to sell them to Saskoil or to a person designated by Saskoil at fair market value at such date.

At December 31, 1988, there were 839,000 common shares reserved under employee stock options for issue at prices ranging from $6.75 to $9.63 per share. The stock options expire from November 19, 1997 to December 15, 1998. Assuming exercise of the outstanding stock options at the beginning of the year, there would be no dilution of earnings per share.

Legal restrictions

The Saskatchewan Oil and Gas Corporation Act, 1985, prohibits any person or group of associated persons, other than the Province of Saskatchewan, from owning more than four percent of the issued and outstanding voting shares of Saskoil. Holders of voting shares of Saskoil must be Canadian citizens or residents.

6. Income Tax Expense and Extraordinary Item

The table below explains the differences between expected income tax expense as obtained by applying statutory income tax rates, recorded income tax expense and income tax payable.

	1988		1987	
	Amount	Percent	Amount	Percent
Earnings (loss) before taxes	$(10,382)	100.0%	$22,344	100.0%
Expected income tax expense (recovery)	$ (5,133)	(49.4)%	$11,887	53.2%
Add (deduct) tax effect of:				
Royalties, rentals, and similar payments to provinces	8,574	82.6	12,237	54.8
Federal resource allowance	(6,275)	(60.4)	(8,730)	(39.1)
Federal depletion allowance	—	—	(4,188)	(18.7)
Other	45	0.4	(306)	(1.4)
Resource deductions not utilized	2,789	26.8	—	—
Income tax expense	Nil	Nil	10,900	48.8
Share issue cost tax effect	—	—	(1,600)	(7.2)
Extraordinary reduction of income tax	—	—	(9,300)	(41.6)
Income tax payable	$ Nil	Nil	$ Nil	Nil

The tax effect of share issue costs has been credited to retained earnings and therefore does not reduce income tax expense.

The extraordinary reduction of income tax reflects expenditures incurred and charged to earnings prior to December 15, 1985, the date on which the Corporation ceased to be exempt from income tax, which are being deducted in determining taxable income in the current period.

At December 31, 1988, Saskoil had accumulated expenditures of approximately $688 million (1987 — $376 million) which are deductible for tax purposes in future periods representing an excess of $58 million over net book value of property and equipment. The excess will result in an extraordinary reduction of income tax in future years when deducted in determining taxable income.

7. Commitments

As at December 31, 1988 future minimum lease payments under operating leases for office space and equipment, in thousands of dollars, are as follows:

1989	$4,590
1990	3,543
1991	1,200
1992	963
1993	778

8. Related Party Transactions

As described in note 2, the Corporation acquired certain oil and gas properties from SaskPower, a Crown corporation. The Crown owns 33.8% of Saskoil's outstanding voting shares.

The consolidated financial statements include capital, revenue and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and corporations. Account balances resulting from these transactions are settled on normal trade terms.

Certain information as to related party transactions is not available by virtue of the fact that Saskoil conducts a substantial portion of its exploration and production activities through joint ventures which are not contractually required to report Saskoil's share of routine operating transactions with Saskoil related parties.

9. Subsequent Event

Pursuant to the terms of an agreement dated January 9, 1989 with Saskoil Equipment Leasing (1988) Limited Partnership (the Partnership), the Corporation sold to the Partnership for proceeds of $76,900,000 certain equipment with a market value of $76,900,000 which was leased back to the Corporation at an annual rental charge of $6.2 million for the first five years of the 20 year lease. The Partnership's general partner is a wholly owned subsidiary of the Corporation.

The Partnership issued 800,000 retractable units to the public for proceeds of $80,000,000, before costs of issue of approximately $3.1 million, which it used to finance the purchase of the equipment from the Corporation. The Partnership Unitholders will have the option to require the Partnership to redeem their Units at December 31, 1993 at their original issuance price. The Corporation has agreed to subscribe on December 31, 1993 for a sufficient number of Units so as to ensure that the Partnership has the funds necessary to pay for Units redeemed.

10. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

Five Year Financial Summary

(millions of dollars except per share amounts)

		Year ended December 31				
		1988	1987	1986	1985	1984
Earnings and Cash Flow	Crude oil and natural gas revenue	**$115.1**	$116.5	$ 77.3	$161.1	$160.9
	Royalties	**(22.2)**	(27.4)	(19.5)	(47.9)	(50.3)
	Other income	**2.1**	4.4	6.0	6.0	4.3
		$ 95.0	$ 93.5	$ 63.8	$119.2	$114.9
	Operating expenses	**35.9**	27.6	25.9	28.4	24.5
	General and administration	**13.0**	11.4	11.1	11.0	10.3
	Reorganization costs	**1.6**	—	—	—	—
	Depletion and depreciation	**43.5**	29.5	23.0	21.8	19.2
	Interest	**11.4**	3.0	1.9	3.9	2.4
	Petroleum and gas revenue tax	**—**	—	1.1	13.5	14.5
	Capital taxes	**1.1**	—	—	—	—
	Income tax	**—**	10.9	4.2	1.4	—
	Alberta royalty tax credit	**(2.8)**	(2.2)	(0.5)	—	—
	Extraordinary reduction of income tax	**—**	(9.3)	(1.6)	(1.4)	—
	Earnings (loss)	**$ (8.7)**	$ 22.6	$ (1.3)	$ 40.6	$ 44.0
	Preferred share dividends	**(5.5)**	(5.5)	(5.3)	—	—
	Earnings (loss) attributable to common shares	**$ (14.2)**	$17.1	$ (6.6)	—	—
	Weighted average number of common shares (millions)	**34.9**	22.4	19.5	—	—
	Earnings (loss) per common share	**$ (0.41)**	$ 0.76	$ (0.34)	—	—
	Cash flow per common share	**$ 0.84**	$ 2.15	$ 1.07	—	—
Changes in Financial Position	Cash flow from operations	**$ 34.8**	$ 53.7	$ 26.2	$ 64.0	$ 63.6
	Financing					
	Common share issues	**123.0**	47.1	30.2	(1.8)	—
	Common share warrants issue	**13.0**	—	—	—	—
	Long-term debt	**180.3**	—	—	—	14.4
	Investment					
	Net capital expenditures	**(79.4)**	(44.7)	(22.6)	(54.6)	(40.0)
	Acquisitions	**(283.0)**	(65.3)	—	—	—
	Preferred share dividends	**(5.5)**	(5.5)	(5.3)	—	—
	Other	**(0.1)**	1.9	(3.1)	—	(31.6)
	Increase (decrease) in working capital	**$ (16.9)**	$ (12.8)	$ 25.4	$ 7.6	$ 6.4
Financial Position	Cash, including short-term investments	**$ 15.8**	$ 26.5	$ 42.5	$ 24.2	$ 45.2
	Working capital	**18.1**	35.0	47.8	22.4	14.8
	Property and equipment	**630.5**	311.6	229.2	229.9	198.5
	Long-term debt	**195.3**	15.0	15.0	15.0	15.0
	Shareholders' equity	**$451.2**	$329.3	$263.6	$162.4	$198.5

Statistics

	Year ended December 31				
	1988	1987	1986	1985	1984
Royalties as percent of sales	**19.3%**	23.5%	25.2%	29.7%	31.2%
Working capital ratio	**1.6:1**	2.4:1	5.0:1	1.7:1	1.2:1
Debt to equity ratio	**.43:1**	.05:1	.06:1	.09:1	.08:1
Return on average capital employed	**0.5%**	7.8%	0.2%	18.3%	21.8%
Four year return on average capital employed	**5.5%**	11.2%	13.9%	16.3%	12.2%

Stock Trading Data

	Year ended December 31		
	1988	1987	1986
Common			
Outstanding (millions)	**39.3**	26.2	19.6
Market price: High	**$10.25**	$ 9.88	$ 8.00
Low	**$ 6.88**	$ 5.75	$ 4.50
Close	**$ 8.50**	$ 7.00	$ 5.63
Preferred			
Outstanding (millions)	**7.6**	7.6	7.6
Market price: High	**$10.88**	$11.88	$10.38
Low	**$ 8.50**	$ 8.00	$ 8.13
Close	**$ 9.13**	$ 8.88	$ 8.50

Share Distribution

Location	Common Shares			Cumulative Redeemable Voting Convertible Second Preferred Shares		
	# of Shareholders	# of Holdings	%	# of Shareholders	# of Holdings	%
Alberta	265	76,029	0.19	359	165,432	2.19
British Columbia	200	139,739	0.36	506	405,396	5.36
Ontario	174	9,415,485*	23.99	279	5,174,687*	68.43
Saskatchewan	6,244	29,394,450**	74.88	6,442	1,526,720	20.19
Other	167	228,648	0.58	217	289,660	3.83
Total	**7,050**	**39,254,351**	**100.00**	**7,803**	**7,561,895**	**100.00**

*As the Canadian Depository for Securities (CDS) in Ontario holds approximately 92% of common shares and 62% of preferred shares on behalf of different brokerage accounts, it is not possible to determine ultimate ownership.

**The Government of Saskatchewan owns 15,842,910 of the outstanding common shares. As part of the acquisition of SPC oil and gas properties, Saskoil issued 13,000,000 common shares which resulted in 42,000 bondholders having the option of converting these bonds into common shares.

Five Year Operations Summary

(thousands of barrels and millions of cubic feet)

		Year ended December 31				
		1988	1987	1986	1985	1984
Production	Light-medium oil	**4,400**	3,779	3,029	3,032	3,126
	Heavy oil	**2,200**	1,827	1,727	1,868	2,025
	Total oil	**6,600**	5,606	4,756	4,900	5,151
	Total gas	**21,100**	4,211	1,420	710	568
Reserves	Proven producing					
	Light-medium oil	**42,500**	41,470	33,145	34,340	34,612
	Heavy oil	**13,500**	10,442	8,835	8,837	11,214
	Total oil	**56,000**	51,912	41,980	43,177	45,826
	Total gas	**319,000**	30,232	13,420	2,024	2,308
	Proven undeveloped					
	Oil	**6,200**	3,084	1,691	3,484	4,346
	Gas	**250,500**	47,122	30,637	28,400	15,372
	Total proven					
	Oil	**62,200**	54,996	43,671	46,661	50,172
	Gas	**569,500**	77,354	44,057	30,424	17,680
	Probable					
	Oil	**24,500**	28,340	24,994	23,976	20,385
	Gas	**358,500**	17,332	24,673	12,496	16,934
	Total proven plus probable					
	Oil	**86,700**	83,336	68,665	70,637	70,557
	Gas	**928,000**	94,686	68,730	42,920	34,614
Changes in Proven Producing Reserves	Oil reserves, beginning of year	**51,900**	41,980	43,177	45,826	57,657
	Additions	**9,800**	7,035	1,031	3,912	2,195
	Revisions	**—**	4,778	2,528	(1,661)	(8,875)
	Acquisitions	**900**	3,725	—	—	—
	Production	**(6,600)**	(5,606)	(4,756)	(4,900)	(5,151)
	Oil reserves, end of year	**56,000**	51,912	41,980	43,177	45,826
	Gas reserves, beginning of year	**30,200**	13,420	2,024	2,308	26,412
	Additions	**120,000**	1,934	533	213	—
	Revisions	**(100)**	(1,696)	12,283	213	(23,536)
	Acquisitions	**190,000**	20,785	—	—	—
	Production	**(21,100)**	(4,211)	(1,420)	(710)	(568)
	Gas reserves, end of year	**319,000**	30,232	13,420	2,024	2,308

Corporate Information

Company Offices

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Officers

Herbert C. Pinder, Jr.
Chairman of the Board

Theodore M. Hanlon
Vice-Chairman of the Board

Theodore H. Renner
President and Chief Executive Officer

Stephen E. Balog
Vice-President, Production

Martin E. Booth
Vice-President, Exploration

Glenn R. Carley
Vice-President, General Counsel and Secretary

Christopher A. Bradley
Controller

R. James Brown
Treasurer

Directors

Chairman
Herbert C. Pinder, Jr.[1][3]
President, Herbus Holdings Ltd.
Saskatoon, Saskatchewan

Vice-Chairman
Theodore M. Hanlon[1]
President, Sage Holdings Ltd.
Calgary, Alberta

Theodore H. Renner[1]
President and Chief Executive Officer,
Saskatchewan Oil and Gas Corporation
Regina, Saskatchewan

Ronald E. Barber[2]
President, Barber Motors (1963) Ltd.
Weyburn, Saskatchewan

Robert G. Bentall
President and Chief Executive Officer, The Bentall Group
Vancouver, British Columbia

W. John Brennan[2]
Dean of Commerce,
University of Saskatchewan
Saskatoon, Saskatchewan

Joan M. Cook
Accountant, Schindle & Bazin
Oilfield Construction Ltd.
Estevan, Saskatchewan

Thomas A. McLellan[1]
Chairman, Devco Consulting Ltd.
Saskatoon, Saskatchewan

Harold P. Milavsky[3]
Chairman of the Board and
Chief Executive Officer,
Trizec Corporation Ltd.
Calgary, Alberta

Graham H. Walker[2][3]
Deputy Chairman,
Pemberton Securities Inc.
Regina, Saskatchewan

(1) Member of the Executive Committee
(2) Member of the Audit Committee
(3) Member of the Compensation Committee

District Production Offices

Southeast Saskatchewan
P.O. Box 519
Estevan, Saskatchewan
S4A 2A5
(306) 634-7204

Southwest Saskatchewan
P.O. Box 1718
Swift Current, Saskatchewan
S9H 4G6
(306) 773-1911

West Central Saskatchewan
P.O. Box 248
Coleville, Saskatchewan
S0L 0K0
(306) 965-2722

Northwest Saskatchewan
P.O. Box 610
Maidstone, Saskatchewan
S0M 1M0
(306) 893-2612

Medicine Hat, Alberta
#6 - 1015 - 30 Street S.W.
P.O. Box 578
Medicine Hat, Alberta
T1A 7G5
(403) 526-6222

Principal Bankers

Royal Bank of Canada
Regina, Saskatchewan

Bank of Nova Scotia
Regina, Saskatchewan

Transfer Agent and Registrar

for Common Shares and Cumulative Redeemable Voting Convertible Second Preferred Shares

The Royal Trust Company
Regina, Montreal, Toronto,
Winnipeg, Calgary and Vancouver

Transfer Agent and Registrar

for 10% Participation Bonds and Saskoil Equipment Leasing (1988) Limited Partnership

Central Guaranty Trust Company
Regina

Shares Listed

The Toronto Stock Exchange
Montreal Exchange

Trading Symbols

Common: "SKO"
Preferred: "SKO.PR.A"
Partnership Units: "Saskoil E u"

Auditors

Clarkson Gordon
Chartered Accountants
Regina, Saskatchewan

Solicitors

MacPherson, Leslie & Tyerman
Regina, Saskatchewan

Investor Relations

Toll Free 1-800-667-5810

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